

## **Irrakkamam Pradeshiya Sabha**

### **Ampara District**

#### **1. Financial Statements**

##### **1.1 Presentation of Financial Statements**

Financial Statements for the year under review had been submitted to Audit on 06 May 2014 while Financial Statements relating to the preceding year had been submitted on 22 June 2013. The Auditor General's Report relating to the year under review was sent to the Chairman of the Sabha on 24 December 2014.

##### **1.2 Qualified Opinion**

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Irrakkamam Pradeshiya Sabha at 31 December 2013 and its financial performance for the year then ended in accordance with generally accepted accounting Principles.

##### **1.3 Comments on Financial Statements**

###### **1.3.1 Non- compliance with Sri Lanka Public Sector Accounting Standards**

Financial Statements had not been prepared according to Public Sector Accounting Standards of Sri Lanka as per Circular No.PL/05/PA/SFPSAS dated 27 January 2014 of the Secretary to the Minister of Local Government and Provincial Councils.

### 1.3.2 Accounting Deficiencies

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Following accounting deficiencies were observed.

- (a) Provision for Audit Fees Payable for the year under review amounting to Rs. 11,500 had not been made in the accounts.
- (b) Provision for Electricity Charges, Water Charges and Telephone Charges Payable for the year under review totalling Rs. 15,884 had not been made in the accounts.
- (c) The value of the Cab vehicle received as a donation during the year 2010 had not been assessed and taken to accounts.
- (d) The value of 57 Library Books received as a donation from the Asia Foundation during the year under review had not been assessed and taken to accounts.

### 1.3.3 Lack of Evidence for Audit

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Evidence shown in front of following items in the financial statements had not been furnished to audit.

Item -----	Value -----	Evidence not Furnished -----
	Rs.	
Land and Buildings	3,476,675	} Register of Fixed Assets Detailed Schedules Register and Register of Lease Rent in arrears
Equipment and Fittings	21,890	
Electrical Equipment	57,600	
Beef Stall Lease Rent in Arrears	535,277	

### 1.3.4 Non –compliances with Laws, Rules, Regulations and Management Decisions

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Following instances of non-compliance with Laws, Rules and Regulations were observed in audit.

<b>Reference to laws, rules, regulations etc.</b>	<b>Non-compliance</b>
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| (a.) Sections 12(1) and (2) of the Pradeshiya Sabha Act No. 15 of 1987 and Sub-Sub-section 31(1) in the Gazette Notification No. 488/16 dated 13 January 1988 of the Ministry of Local Government, Housing Construction and Construction Industries | - Although it has been stated that, Sub Committees on Finance, Policy Planning, Housing Constructions, Social Development, Technical Services Environmental and Common Amenities should be appointed to enable taking broad decisions, with a view to facilitate functions of the Pradeshiya Sabha, Sub-committees had not been appointed accordingly, up to 28 May 2014. |
| (b.) <u>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</u><br>Financial Regulation No. 571(2)  | - Action had not been taken with regard to time lapsed Deposits valued at Rs.151,470 up to 28 May 2014.   |

## 2. Financial Review

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### 2.1 Financial Result

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According to the Financial Statements presented, excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2013 amounted to Rs.233,504 as compared with the corresponding excess of recurrent expenditure over revenue for the preceding year amounted to Rs.1,452,683 indicating an improvement of Rs.1,219,180 in the financial results.

## **2.2 Revenue Administration**

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### **2.2.1 Rates and Taxes**

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Following observations are made.

- (a) The Sabha had not taken action to assess Rates and make recoveries from lands and houses constructed in the area of authority of the Sabha, in terms of Sections 134, 158 and 159 of the Pradeshiya Sabha Act No. 15 of 1987 for the period from the year 2003 to 2012.
- (b) Out of Rates amounting to Rs. 165,000 estimated to be recovered for the year under review according to the Budget for the year under review a sum of Rs. 2,938 being 1.78% had been recovered.

### **2.2.2 License Fees**

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Out of License Fees amounting to Rs. 1,140,000 estimated to be recovered for running stalls and establishments according to the Budget for the year under review, a sum of Rs.477,360 being 41.8% had been recovered.

### **2.2.3 Other Revenue**

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Following observations are made.

- (a) It had not been possible to recover License Fees and Other Charges for 09 Publicity Advertisement Boards placed by private institutions for advertising their trading goods in the area of authority of the Sabha due to non-enforcement of relevant by-laws by the Sabha in terms of Section 126 of the Pradeshiya Sabha Act No. 15 of 1987. Accordingly, a revenue of Rs. 40,680 had been lost to the Sabha.
- (a) Action had not been taken up to 28 May 2014, to recover Beef Stalls Lease Rent in arrears amounting to Rs. 1,032,323 relevant to the period from the year 2004 to 2010.

### **3. Operating Review**

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#### **3.1 Management Inefficiencies**

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Action had not been taken to remit Value added Tax amounting to Rs. 739,505 recovered from the contractors during the period from the year 2011 to end of the year 2012, to the Commissioner General of Inland Revenue up to the date of audit, 28 May 2014.

#### **3.2 Idle Assets**

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Although 04 Name Boards had been made having spent a sum of Rs. 60,000 during the year 2012 to identify boundaries of the Pradeshiya Sabha, it was observed that, 02 Name Boards had not been fixed at the relevant places and had been kept in the stores up to 27 May 2014.

#### **3.3 Un-economic Transactions**

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A sum of Rs. 1,743 had been paid as fines during the year under review to the National Water Supply and Drainage Board, due to failure in payment of monthly water bill of the Irrakkarram Open Fair Building on the due dates.

### **4. Accountability and Good Governance**

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#### **4.1 Internal Audit**

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Although it had been stated that, each Local Authority should establish an Internal Audit Section according to their capacity, vide clause 8 in Local Government Restructure Circular No. 3 dated 08 November 2005 of the Ministry of Provincial Councils and Local Government, an Internal Audit Section had not been established.

## **5. Systems and Controls**

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Special attention is needed in respect of the following areas of systems and control.

- (a) Accounting
- (b) Revenue Administration
- (c) Fixed Assets Control