

## **Karaitivu Pradeshiya Sabha**

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### **Ampara District**

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

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

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Financial Statements for the year under review had been submitted to the Audit on 06 June 2014 while Financial Statements relating to the preceding year had been submitted on 04 April 2013. The Auditor General's Report relating to the year under review was issued to the Chairman of the Sabha on 24 December 2014.

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

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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 Karaitivu 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**

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

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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.418,624 had not been made in the accounts.
- (b) The Courts Fines Revenue amounting to Rs. 903,325 relevant to the preceding year, received during the year under review had been accounted as revenue the year under review.
- (c) Value of a Tipper Vehicle re-assessed amounting to Rs.1,500,000 during the year under review had been overstated as Rs.3,900,000 in the accounts.

### **1.3.3 Accounts Receivable and Payable**

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Following observations are made.

- (a) Withholding Tax amounting to Rs.271,460 had been kept in the Deposits Account without being remitted to the Commissioner of Inland revenue during a period of about 05 years.
- (b) Action had not been taken up to 13 June 2014 to recover a staff Loan balance of Rs.86,653 due from 07 officers left on transfers, from the relevant institutions.
- (c) Action had not been taken up to 13 June 2014 to recover Beef Stalls Lease Rent for the period from the year 1992 to end of the year 2013 amounting to of Rs.767,894.

### **1.3.4 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.

<b>Item</b> -----	<b>Value</b> -----	<b>Evidence not Furnished</b> -----
	Rs.	
Furniture and Fittings	1,135,600	} Register of Fixed Assets Board of Survey Reports Register of library books and board of survey reports
Motor Vehicles	43,420,245	
Machinery and Equipment	2,597,721	
Library Books	1,171,105	

### 1.3.5 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> -----
(a.) Sections 12(1) and (2) of the Pradeshiya Sabha Act No. 15 of 1987 and Sub-section 31(1) in the Gazette Notification No. 488/16 dated 13 January 1988 of the Ministry of Local Government and Construction Industries	- Although Sub Committees on Finance, Policy Planning, Housing Constructions, Social Development, Technical Services Environmental and Common Amenities had been appointed to enable in taking broad decisions, with a view to facilitate functions of the Pradeshiya Sabha, except Finance, other committees had not functioned during the year under review.
(b.) <u>Code of Pradeshiya Sabha (financial and Administrative) Rules of 1988</u>	
(i.) Chapter 1 Section 5 (XII)	- Security Deposits had not been obtained from two officers who were involved in duties connected with finance and stores.

- (ii.) Chapter X Section 217 - A register of all Lands and Building used by the Sabha had not been maintained.
- (c.) Financial Regulation 572(2) - Action had not been taken by the Sabha up to 13 June 2014, with regard to time lapsed Deposits amounting to Rs.3,021,324.

**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.3,795,378 as compared with the corresponding excess of recurrent expenditure over revenue for the preceding year amounted to Rs.1,154,987.

**2.2 Revenue Administration**

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**2.2.1 Rates and Taxes**

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Action had not been taken by the Sabha to recover Rates during the period from the year 2003 to the year 2013, from Lands, Houses and Buildings constructed in the area of authority of the Sabha in terms of Section 134, 158 and 159 of the Pradeshiya Sabha Act No. 15 of 1987.

**2.2.2 Other Revenue**

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License Fees had not been recovered for 10 Publicity Advisement Boards placed by private institutions for advertising their trading goods in the area of authority of the Sabha. Due to that, Revenue of Rs.42,100 had been lost to the Sabha annually.

### **3. Operating Review**

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#### **3.1 Project Delays**

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It was observed that the Plastic Grinding Machine valued at Rs. 754,200 purchased under Provincial Specific Development Grants (PSDG) during the year under review had been kept in the stores without being used for the relevant objective, as at 13 June 2014.

### **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

