

Kinniya Pradeshiya Sabha

Trincomalee District

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year under review had been presented to audit on 20 February 2014 and the Financial Statements for the preceding year had been presented on 25 September 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 26 June 2015.

1.2 Opinion

In my opinion except for the effects on the Financial Statements of the matters referred to in paragraph 1.3 of this report the Financial Statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Kinniya Pradeshiya Sabha as at 31 December 2013 and the financial result of its operations and cash flow for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following accounting deficiencies are observed.

- (a.) A difference of Rs.532,848 was observed when the balance of market lease amounting to Rs.4,971,046 as per Market Lease Register is compared with the balance of the Financial Statements amounting to Rs.4,438,108. Therefore market lease rent been understated in the financial statements by a similar amount.
- (b.) The balance of staff loan as per staff loan register amounted to Rs.428,895 and the balance as per Financial Statements amounted to Rs.407,895. Therefore the balance of staff loan had been understated in the financial statements by Rs.21,000.
- (c.) Trade Licence fees amounting to Rs.83,780 receivable for the year under review had not been accounted.
- (d.) Market shop lease amounting to Rs.549,074 receivable for the year under review had not been accounted for.
- (e.) The library books purchased for Rs.69,920 during the period January to October 2013 had not been accounted for.

1.3.2 Accounts Receivable and Payable

Arrears of Loan amounting to Rs.137,749 due from 13 officers who are vacated or transferred to other institutions from year 2006 had remained without action been taken to recover the arrears.

1.3.3 Lack of Evidence for Audit

Following items of accounts could not be satisfactorily vouched or accepted in audit due to lack of evidence indicated against those items.

Item of Account	Value	Evidence not furnished
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	Rs.	
Land and Building	1,441,311	Land Ownership Deed
Machinery	1,308,525	} Fixed Assets Register and Board of Survey Reports
Furniture	683,720	
Motor Vehicle	3,029,710	
Advances Receivable	173,544	Advance Register an Age analysis
Lease Deposits	453,175	Lease Ledger
Creditors	27,806	Creditors Ledger

1.3.4 Non-compliance with Laws, Rules, Regulations etc.

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

<u>Reference to Laws, Rules, Regulations etc.</u>	<u>Non-compliance</u>
(a.) <u>Pradeshya Sabha Act No.15 of 1987</u> Rule No.134(1)	- No action had been taken to impose and taxes on the annual value of the immovable property for the land situated within the limit of the Pradeshya Sabha.
(b.) <u>Pradeshya Sabha Financial Rule 1988</u> <u>(Financial and Administrative)</u>	
(i.) Chapter VII Rule No.158	- Monthly summary of the cumulative expenditure had not been prepared during the year under review.

- (ii.) Chapter VII
Rule No.104
 - (iii.) Chapter VII
Rule No.165
- (c.) Financial Regulations of the Democratic Socialist Republic of Sri Lanka
F.R. No.880
 - Accounting Documents had not been checked and initialed by the secretary or authorized officer daily.
 - Main ledger had not been prepared during the year under review.
 - Adequate security had not been obtained from officers who were entrusted with custody of cash and stores.
- (d.) Financial Regulations of the Eastern Provincial Council
 - (i.) Rule No.131(3)
 - Action had not been taken against the officers responsible for the loss of counterfoil receipts amounting to Rs.3,370,974 in respect of revenue.
 - (ii.) Rule No.187.2
 - For the year under review, though 68 vouchers aggregated Rs.2,106,258 had been lost. No action had been taken against the officers involved, as requested by the said Rule.
- (e.) Treasury Circular No.IAI/2002/02 dated on 28 November 2002
 - Separate register had not been maintained for computer parts and computer software.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2013 amounted to Rs.203,899 as compared with the excess of revenue over recurrent expenditure amounting to Rs.141,236 for the preceding year.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

Information furnished by the Sabha relating to Estimated Revenue, Actual Revenue and Arrears of Revenue for the year under review are shown below.

	Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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		Rs.	Rs.	Rs.
(i)	Rates and Taxes	35,000	-	35,000
(ii)	Rent	1,466,000	509,802	956,198
(iii)	Service Charges	509,450	301,860	207,590
(iv)	Other Revenue	9,592,855	10,187,862	595,007

2.2.2 Telecommunication Tower Charges

Charges had not been recovered in respect of 06 telecommunication towers installed within the limit of the Sabha. As a result the Sabha had a loss of revenue amounting to Rs.18,000 yearly.

3. Operating Review

3.1 Management Inefficiencies

- (a.) The value of 13 Motor Vehicles obtained from other Ministries and Departments had not been valued and accounted for last 08 years.
- (b.) Action had not been taken to obtain the 1167 lending library books from the members during the period of 1991-2013.
- (c.) The Sabha had not taken action in respect of the shortage of 138 inventory goods and 227 library books shown in the Board of survey report for the year 2013.
- (d.) The contribution to the Employees Provident Fund amounting to Rs.522,701 and the Employees Trust Fund amounting to Rs.60,181 had not been remitted to respective funds. But, this money had been kept in the Deposits Account since year 2006.
- (e.) The widows and orphans contributions of Rs.2,507,805 had not been settled for more than 07 years.

4. Human Resources Management

Particulars of the approved and actual cadre of the Sabha as at 31 December 2013 are given below.

Category of Employees	Approved	Actual	Shoratge
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Executive Level	01	-	01
Secondary Level	16	12	04
Tertiary Level	23	12	11
Others	40	24	16

- (a.) Action had not been taken to make appointment for the Management Service Supra Grade I that had been vacant for more than 07 years.
- (b.) Action had not been taken to fill the vacancies in the posts of 04 Management Service Grade III, II and 03 posts of Minor Employees that had been vacant since one year and two years.

5. Solid Waste Management

The Contract Agreement was signed on 22 November 2011 amounting to Rs.1,345,000 for fencing around the Solid Waste collection location under solid waste management. Following observations were made in this connection.

- (a.) The fence of 177 sq.ft erected by the contractor had been removed by unidentified persons. No action had been taken regarding this.
- (b.) The Sabha had not taken action to fix five concrete posts in front of the fence instead of damaged posts.
- (c.) A sum of Rs.143,000 had been paid to spread gravel to the land of the Solid Waste collecting Location and to compact them. However since it was not properly compacted there are many holes on the land.

6. Accountability and Good Governance

6.1 Internal Audit

Every Local Authority should establish an Internal Audit Section as per instructions given by Paragraph 08 of the Circular No.03 dated 08 November 2005 of the Ministry of Provincial Council and Local Government. But the Sabha had not established an Internal Audit Section.

7. Systems and Controls

Special attention of the Sabha is needed in the following areas of systems and controls.

- (a.) Accounting
- (b.) Revenue Administration
- (c.) Fixed Assets Control
- (d.) Budgetary Control
- (e.) Contract Administration