

Namal Oya 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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The financial statements for the year under review had been presented for audit on 28 March 2014 and the financial statements for the preceding year had been presented on 03 April 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 06 January 2015.

1.2 Qualified Opinion  
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In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Namal Oya Pradeshiya Sabha as 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 Noncompliance with Sri Lanka Public Sector Accounting Standards  
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Financial Statements had not been prepared by adopting the Sri Lanka Public Sector Accounting Standards in accordance with the Circular No.PL/05/BA/ශ්‍රී ලංකා ප්‍රජාතන්ත්‍රවාදී රජයේ සේවා දෙපාර්තමේන්තුව dated 27 January 2014 of the Secretary to the Ministry of Local Government and Provincial Council.

### 1.3.2 Accounting Deficiencies

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The following accounting deficiencies are observed.

- (a) Arrears in rental amounting to Rs.15,008 receivable for the year 2010 in respect of renting out Polwatta Friday weekly fair had not been included in the balance sheet.
- (b) Although the salary and allowances expenditure under the Expenditure Head 301 of the year under review amounted to Rs.1,206,770, it had been taken into the financial statements as Rs.1,196,770. As a result, the expenditure of the year under review had been understated by Rs.10,000.
- (c) A sum of Rs.1,811,108 retained from the payments made for the constructions carried out by the Nelshif Project had not been included in the financial statements.

### 1.3.3 Non-compliance with Laws, Rules and Regulations

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The following non-compliance with Laws, Rules and Regulations were observed.

Reference to Laws, Rules, Non-compliance Regulations, etc.	
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(a) Pradeshiya Sabha Rules

(i) Rules - 62

Although a notice in terms of the Format P.S.26 B should be sent to the persons whose names appear in the Industrial Tax Register directing that the Industrial Tax imposed by the Sabha should be paid, the Secretary had not issued a notice directing to pay the Industrial Tax.

(ii) Rules-180

The bonds that should be submitted by the officers responsible for the cash, stores and collection of revenue had not been submitted.

(iii) Rules-203

Although a Board of Survey inclusive of a representative of the Sabha should be appointed for surveying properties, the Board of Survey had been appointed exclusive of a representative of the Sabha.

(iv) Rules-218

Although lands and buildings should be examined by a Board of Examiners at least once in every year, lands and buildings of the Sabha valued at Rs.14,125,435 had not been examined.

(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

i F.R. 571

Action had not been taken to settle or credit to the revenue a sum of Rs.12,215 payable to the Employees Trust Fund, general deposits amounting to Rs.30,000 payable to the Divisional Secretary, Ampara and Rs.2,298 payable to the Secretary of the Namal Oya Pradeshiya Sabha that had been brought forward over a period of 03 years.

ii F.R.1646

Running Charts relating to 08 motor vehicles used by the Sabha had not been furnished to audit.

(c) Circular No. PF 434 of the Even though vehicles should be insured at

Department of Public Finance.

a Government insurance institute, a Cab belonging to the Sabha had been insured at Rs. 86,564 at a private insurance institution on the written recommendation of the Assistant Commissioner of Local Government and under the approval of the Sabha.

## 2 Financial and Operating Review

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### 2.1 Financial Results

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According to the Income and Expenditure Account presented, the operations of the Pradeshiya Sabha as at 31 December 2013 resulted in a revenue exceeding the recurrent expenditure of Rs.406,615 as against the recurrent expenditure exceeding the revenue of Rs.12,730 of the preceding year, thus indicating an improvement of Rs.419,345 in the financial result.

### 2.2 Revenue Administration

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#### 2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

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The information relating to the estimated revenue, actual revenue and the arrears of revenue for the year under review, as presented by the Chairman, appear below.

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December 2013
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	Rs.	Rs.	Rs.
Rates and Taxes	10,000	39,360	--
Lease Rent	921,540	739,867	25,799
Licence Fees	357,300	251,400	--
Service Fees	80,250	66,944	--
Warrant Charges and Fines	706,500	994,957	498,203

	Other Revenue	453,500	174,618	--
3.	Operating Review			

### 3.1 Operating Inefficiencies

The following operating inefficiencies are observed.

- (a) The ownership of two Cabs, three tractors and two trailers used for the purposes of the Sabha had been in the name of other institutions. Nevertheless, action had not been taken to transfer the ownership of those vehicles to the Sabha.
- (b) As the by-laws required for the collection of revenue from the advertisements and banners had not been approved, the Sabha had deprived of an income exceeding Rs.30,000 which could have been earned through that means of income.
- (c) A register inclusive of the particulars of the roads belonging to the Pradeshiya Sabha had not been maintained. Accordingly, it was found difficult to carry out an evaluation on the road maintenance and development in audit.
- (d) Action had not been taken to recover a sum of Rs.23,000 that had been erroneously debited by a bank relating to a bank account in ten years ago even by 31 December 2013.
- (e) Out of 1247 library books misplaced during the year under review and the previous year, the value of the books of which the value had been identified was Rs.121,296 and no action whatsoever had been taken on the misplacement.
- (f) Even though receipts in respect of Rs.1,000 received by the Sabha before the year 2011 had been issued by an officer, necessary action had not been taken in respect of failure in banking the said amount.

## 4. Accountability and Good Governance

### 4.1 Budgetary Control

Variances ranging from 20 per cent to 100 per cent between the budgeted and actual expenditure of the year under review were observed. Accordingly, the budget had not been made use of as an effective instrument of financial control.

#### 4. Systems and Controls

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

- (a) Accounting
- (b) Assets Management
- (c) Collection of Revenue.