

Nintavur Pradeshiya Sabha

Ampara District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 21 May 2014 while Financial Statements relating to the preceding year had been submitted on 28 March 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

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 Nintavur 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

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

Following accounting deficiencies were observed.

- (a) Provision for Audit Fees Payable for the year under review amounting to Rs.8,250 had not been made in the accounts.
- (b) Provision for Electricity Charges and Telephone Charges totalling Rs.17,621 payable for the year under review had not been made in the accounts.
- (c) The Stock of Electricity Equipment valued at Rs.140,730 as at 31 December 2013 had not been taken to accounts.

1.3.3 Accounts Receivable and Payable

Following observations are made.

- (a) Action had not been taken up to the end of the year under review, to recover Electricity Charges totalling Rs. 2,477,322 due from Electricity Consumers in arrears up to the year 2005.
- (b) Action had not been taken up to the end of the year under review, to pay Electricity Charges old more than 20 years amounting to Rs. 2,951,150 payable to the Ceylon Electricity Board.
- (c) Action had not been taken up to 13 June 2014 to recover a staff Loan balances totalling Rs. 114,003 due from 10 officers left on transfers and 06 officers vacated service, from the relevant institutions or the guarantors.

1.3.4 Lack of Evidence for Audit

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

Item -----	Value -----	Evidence not Furnished -----
	Rs.	
Furniture and Fittings	1,390,200	Register of Fixed Assets Board of Survey Reports Age Analysis Register of library books and board of survey reports
Motor Vehicles	4,357,640	
Machinery and Equipment	17,620,115	
Staff Loans	2,875,096	
Library Books	2,302,980	

1.3.5 Non-compliances with Laws, Rules, Regulations and Management Decisions

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

Reference to laws, rules, regulations etc.

Non-compliance

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| <p>(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, Housing and Construction Works</p> | <p>- Although it has been stated that following Committees should be appointed to advise the Sabha for each of the functions, Committees had not been appointed accordingly.</p> <ul style="list-style-type: none"> * Finance and Policy Making * Housing Constructions and Social Development on Policy Planning, * Technical Services and Environmental and Common Amenities. |
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- (b.) Pradeshiya Sabha (financial and Administrative) Rules of 1988
Chapter X - Section 217

- A register of all Lands and Building used by the Sabha had not been maintained.

2. Financial Review

2.1 Financial Result

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.1,608,656 as compared with the corresponding excess of recurrent expenditure over revenue for the preceding year amounted to Rs.2,437,836 indicating an improvement of Rs.829,180 in the financial results.

2.2 Revenue Administration

Action had not been taken up to the end of the year under review to recover Beef Stall Lease Rent in arrears amounting to Rs.3,177,096 due for the period from the year 1980 to the year 2012.

3. Operating Review

3.1 Management Inefficiencies

Following observations are made.

- (a) Value Added Tax and Nation Building Tax totalling Rs. 394,488 recovered during the year 2004 and shown in the Deposits Account up to end of the year 2012 had been transferred to the Revenue Account of the Sabha without being remitted to the Commissioner General of Inland Revenue.
- (b) Although due dates of returning back of 30 books valued at Rs. 7,018 by 30 members of the Books Lending Out Section of the Public Library had elapsed, action had not been taken to get back those books.
- (c) Reference Section of the Public Library had been kept closed and had been kept idle since the year 2010 to 13 June 2014.
- (d) Deposits made for various purposes totalling Rs.492,005 had been kept in the Deposits Account during a period of about 03 years, without being transferred to the Revenue Account.

3.2 Idle and Under-utilized Assets

3.2 Non-use of Paper Recycling Machine

It was observed that the Paper Recycling Machine purchased for a sum of Rs.731,600 during the year 2008 by the Sabha had been kept in the stores up to 13 June 2014 without being utilized for the relevant work.

3.3 Operational Inefficiencies

It was observed that out of the 35,290 Garbage Collecting Bags purchased for a sum of Rs. 299,965 during the year under review under the Specific Provincial Development Grants Scheme by the Sabha, about 98% of those had been kept in the stores without being utilized for the relevant work.

4. Accountability and Good Governance

4.1 Internal Audit

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

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

- (a) Accounting
- (b) Fixed Assets Control