

Pottuvil 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 20 March 2014 while Financial Statements relating to the preceding year had been submitted on 29 May 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 Pottuvil 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

The value of 13 Office Equipment received as a donation from UNOPS during the year under review had not been assessed and taken to accounts.

1.3.3 Accounts Receivable and Payable

Following observations are made.

- (a) Action had not been taken up to 04 April 2014 to recover arrears amount Rs.2,316,441 from 71 individuals who had taken stalls on lease.
- (b) Action had not been taken up to 04 April 2014 to recover Loan balances totaling Rs.435,683 due from four officers who had left the Sabha on transfers during the year 2011.

1.3.4 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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| (a.) Eastern Province Financial Regulations No.432(1) | - While a sum of Rs. 183,182 had been spent for repairing two vehicles during the year 2013, it had not been recorded in the Vehicle Log Book up to 04 April 2014. |
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(b.) Financial Regulations of the Democratic Socialist Republic of Sri Lanka 1992

(i.) Financial regulation 135

- Duties relating to Approval and Certification should be distributed among the officers. However, duties connected with Approval and Certification of 70 vouchers totaling Rs.2,857,483 had been performed by the Chairman himself.

(ii.) Financial regulation 571 (2)

- Action had not been taken either to make refunds to the relevant parties or to transfer to revenue, with regard to time lapsed Deposits valued at Rs. 71,600, up to 04 April 2014.

(c.) Public Finance Circular No. BF/437

- Although it has been stipulated that Insurance Cover for Vehicles should be obtained only from the National Insurance Trust Fund or Sri Lanka Insurance Trust Fund Limited, contrary to that, insurance cover had been obtained for three vehicles having paid a sum of Rs. 250,398 to a Private Insurance Firm.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2013 amounted to Rs. 1,576,692 as against the excess of recurrent expenditure over revenue for the preceding year amounted to Rs.1,850,025 indicating an improvement of Rs. 3,425,717 in the financial results.

2.2 Revenue Administration

2.2.1 Courts Fines

Action had not been taken to recover the amount of Courts Fines Receivable as at 31 December 2013 from the Chief Secretary to the Eastern Provincial Council.

2.2.2 Other Revenue

An approximate revenue amounting to Rs. 84,000 to be recovered for the year under review on account of 03 Publicity Advertisement Boards displaced by a private institutions to advertise their trading goods and 07 Telecommunication Towers erected by a Telecommunication Establishment in the area of authority had been lost to the Sabha.

3. Operating Review

3.1 Management Inefficiencies

Action had not been taken up to 04 April 2014, date of audit to remit Value Added Tax amounting to Rs. 2,422,520 recovered from contractors during the period from the year 2008 to the year 2012, to the Commissioner of General of Inland Revenue.

3.2 Idle Assets

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 without being utilized for the relevant work up to 04 April 2014.

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
- (c) Revenue Collection