

Thirukkovil 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 26 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 Thirukkovil 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

1.3.1 Non- compliance with Sri Lanka Public Sector Accounting Standards

Although the first four of the Sri Lanka Public Sector Accounting Standards should be followed in preparation of accounts with effect from the year 2011 in terms of Public Enterprises Circular No. 03/2013 dated 02 October 2013; financial statements had not been prepared accordingly.

1.3.2 Accounting Deficiencies

Following accounting deficiencies were observed.

- (a) Provision for Audit Fees Payable for the year under review amounting to Rs. 11,500 had not been made in the accounts.
- (b) Provision for Electricity Charges, Water Charges and Telephone Charges Payable for the year under review totalling Rs.25,500 had not been made in the accounts.
- (c) Interest amounting to Rs. 47,500 received on Fixed Deposits during the year under review had been omitted in the accounts.
- (d) The value of the motor vehicle received as a donation from the UNOPS Institute during the year under review had not been assessed and taken to accounts.

1.3.3 Accounts Receivable and Payable

Action had not been taken up to 09 June 2014 to recover the loan balances totaling Rs. 115,337 outstanding to be recovered from three officers left on transfers during the year 2011 and from an officer deceased during the year 2014.

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

- | Reference to laws, rules, regulations
etc. | Non-compliance |
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(a.) Section 158 of the Pradeshiya Sabha Act
No. 15 Of 1987 | -----
- A warrant to the effect that Property
Rates were not paid, signed by the
Secretary had not been given to the
Revenue Collectors or the Officers. |
| (b.) Pradeshiya Sabha (Financial and
Administrative) Rules of 1988 Chapter 1
Section 5 (XII) | - Security Deposits had not been obtained
from two officers assigned with duties
relating to Cash and Stores. |
| (c.) Financial Regulations of the Republic of
Sri Lanka | |
| (i.) F.R. 3996(b) | - Action in terms of relevant Financial
Regulation had not been taken with
regard to 22 cheques totaling Rs.
558,414 not presented for payment for
more than 06 months. |
| (ii.) F.R. 571(2) | - Action had not been taken either to
refund to the relevant parties or to
transfer to revenue with regard to time
lapsed Deposits amounting to Rs.
272,690 up to 09 June 2014. |

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. 1,532,256 as compared with the corresponding excess of recurrent expenditure over revenue for the preceding year amounted to Rs. 2,938,017 indicating an improvement of Rs. 1,450,761 in the financial results.

2.2 Revenue Administration

2.2.1 Court Fines and Stamp Fees

Following observations are made.

- (a) Court Fines amounting to Rs. 843,950 due up to 31 December 2013 from the Chief Secretary to the Eastern Provincial Council had not been obtained

- (b) The amount of Stamp Fees due as at 31 December 2013 from the Registrar General had not been obtained

2.2.2 Other Revenue

Following observations are made.

- (a) A revenue of about Rs.125,000 to be recovered to the Sabha for the year under review connected with 09 Publicity Advisement Boards placed by private institutions for advertising their trading goods in the area of authority of the Sabha and 07 Telecommunication Towers erected by Telecommunication Institutions, due to non-enforcement of by-laws in terms of Section 126 of the Pradeshiya Sabha Act No. 15 of 1987 for collection of revenue.

- (b) Action had not been taken to recover or to write-off from books with regard to Beef Stalls Lease Rent amounting to Rs. 637,386 in arrears remaining unrecovered up to date, relevant to the period from 1982 to 2012.

- (c) Action had not been taken up to the end of the year under review to recover Stalls Lease Rent amounting to Rs. 718,995 in arrears for a period of more than four years .

3. Operating Review

3.1 Management Inefficiencies

Following observations are made.

- (a.) Action had not been taken up to 09 June 2014 to remit Value added Tax amounting to Rs. 66,644 recovered from the contractors during the period from the year 2008 to end of the year 2013, to the Commissioner General of Inland Revenue.
- (b.) Action had not been taken for about three years to get back 37 books valued at Rs. 7,227 issued to the members by the Tamipiluvil Public Library.

3.2 Idle Assets

Following observations are made.

- (a.) Non-use of Coconut Oil Producing Machine
It was observed that the Coconut Oil Producing Machine purchased for a sum of Rs. 95,000 by the Sabha during the year 2008 had been kept in the Stores without being used for the relevant objective up to 09 January 2014.
- (b.) Non-use of Paper Recycling Machine
It was observed that the Paper Recycling Machine purchased for a sum of Rs.1,314,100 by the Sabha during the year 2008 had been kept in the Stores without being used for the relevant objective.

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