

Alaiyady Vembu Pradeshiya Sabha

Ampara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 01 April 2015 and the financial statements for the preceding year had been presented on 15 July 2014. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 05 August 2015.

1.2 Qualified Opinion

In my opinion, except for the effects on the financial statements of the matters shown in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Alaiyadi Vembu Pradeshiya Sabha as at 31 December 2014 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 Compliance with Sri Lanka Public Sector Accounting Standards

Cash flow statements had not been furnished with the financial statements in terms of Sri Lanka Public Sector Accounting Standard No. 02.

1.3.2 Accounting Policies

The policies adopted in preparing the financial statements had not been disclosed in the financial statements in terms of Sri Lanka Public Sector Accounting Standard No. 3.

1.3.3 Accounting Deficiencies

- (a) The interest revenue of Rs.3,374,493 receivable for the year under review on behalf of 04 fixed deposits of the Sabha had not been brought to account.
- (b) The value of stock of 09 varieties of electrical equipment at the stores as at 31 December 2014 amounting to Rs.149,190 had not been shown in the financial statements.

- (c) The sum of Rs.698,400 receivable from the lessees for lease of meat stalls for the year under review had been shown in the Deposit Account without being transferred to the Revenue Account.
- (d) The sum of Rs.38,000 received from the public in 2014 for protection of environment had been shown in the Deposit Account upto 16 June 2015 without being transferred to the Revenue Account.
- (e) Loan instalments and interest of Rs.43,153 recovered from employees had been shown in the Revenue Account without being adjusted in the respective accounts.

1.3.4 Accounts Receivable

Action had not been taken to recover the balance of employees' loan of Rs.39,900 due from a deceased officer from his death gratuity or from the surety.

1.3.5 Lack of Evidence for Audit

The evidence indicated against each of the following item of account had not been furnished to audit.

Item -----	Value -----	Evidence not Furnished -----
	Rs.	
Land and buildings	157,949,871	Title deeds Register of fixed assets and board of survey reports.
Machines and machinery	212,166	
Motor vehicles and carts	1,871,290	
Furniture and fittings	1,390,525	
Library books	667,192	

1.3.6 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with the following laws, rules, regulations and management decisions were observed in audit.

Reference to Laws, Rules and Regulations

Non-compliance

- | | |
|---|--|
| (a) Treasury Circular No. 1A1/2002/02 of 28 November 2002 | A register of computers had not been maintained to enter 12 computers and computer software equipment. |
|---|--|

(b) 1988 Pradeshiya Sabha (Finance and Administration) Rules

(i) Chapter i
Section 180

Security deposits had not been obtained from 3 officers who had been administratively entrusted with the duties of cash, stores materials and signing of cheques.

(ii) Chapter iii
Section 81

Applications for reimbursement of stamp duty relating to transfer of ownership of land, applications for reimbursement of tax relating to other transactions and applications for reimbursement of court fines had not been furnished to the Registrar General, Director of Treasury and the Registrar of Courts respectively at the end of each quarter.

(iii) Chapter x
Section 193

A statement containing the reasons for variances between the budgeted and actual revenue and expenditure for the year under review had not been furnished to the Auditor General.

(iv) Chapter x
Section 217

A register had not been maintained for all land and buildings used by the Sabha.

(c) Financial Regulation 396

Action had not been taken to bring to revenue the sum of Rs.1,580 pertaining to 03 cheques remaining uncashed within the last 18 months.

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 2014 amounted to Rs.4,912,891 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.3,523,676 showing an improvement in financial results of the year under review amounting to Rs1,389,215.

2.2 Revenue Administration

Performance in collection of Revenue

2.2.1 Rates and Taxes

Necessary action had not been taken by the Sabha to recover rate and taxes from land, houses and buildings constructed within the authoritative area of the Sabha in terms of Section 134 of the Pradeshiya Sabha Act No.15 of 1987.

2.2.2 Other Revenue

(a) Revenue from lease of Roller Machine

According to the decision made by the Sabha, hire charges amounting to Rs.7,000 or an economic hire charge of Rs.3,500 per day should be recovered for the roller machine. However, revenue amounting to Rs.15,500 had been deprived of, on 06 instances as a result of not recovering economic hire charges.

(b) Fees for Advertisement Boards and Telecommunication Towers

The Sabha had failed to frame bye-laws in terms of Section 126 of the Pradeshiya Sabha Act No.15 of 1987 for collection of the respective revenue. As such, action had not been taken up to 12 June 2015 to recover the licence fees of Rs.170,000 recoverable for 03 advertisement boards of private organizations operating in the area of the Sabha and for the 02 telecommunication towers constructed during the period 2009 to 2014.

2.2.3 Arrears Revenue

- (a) Action had not been taken upto end of the year under review to recover the arrears of beef stall rent for the period 1988 to 2012 from the lease or to take legal action against him.
- (b) Arrears Of Business tax of Rs.16,680 for the period 2002 to 2007 had not been recover up to end of the year.

3. Operating Review

3.1 Management Weaknesses

The following observations are made.

- (a) The Sabha had earned revenue amounting to Rs.69,310 by supplying drinking water to the public through the water meter belonging to the National Water Supply and Drainage Board installed in the library of the Sabha. However, a sum of Rs.101,406 had been paid to the National Water Supply and Drainage Board for the water supplied to the Sabha causing a loss of Rs.32,096 to the Sabha.
- (b) A sum of Rs.449,600 had been spent by the members during the year under review to repair 38 roads without preparing estimates and without following the tender procedures.
- (c) Various loans aggregating Rs.114,573 obtained by 07 officers had not been recovered during 02 to 08 years.
- (d) Plastic baskets had been purchased for Rs.499,850 in connection with thew compost fertilizer produced. The following matters were observed in this connection
 - (i) These had been purchased without following tender procedures.
 - (ii) Entries acknowledging receipt of goods had not been made in the registers maintained at the stores.
 - (iii) Although 760 baskets had been purchased, the Sabha had not maintained documents, whatsoever, to confirm their distribution.

3.2 Operating Inefficiencies

National Programme of Strengthening of Pradeshiya Sabhas

The Ministry of Local Government and Provincial Councils had granted Rs.4,000,000 to implement the projects selected by the Alaiyady Vembu Pradeshiya Sabha, as per Circular No.1/2014 of the Ministry of Local Government and Provincial Councils. The following matters were observed in this regard.

- (a) Construction of the Dharmasanghari Playground, Children's Park, Car Park etc., had been carried out by utilizing the above funds during the year under review without following tender procedures.
- (b) A sum of Rs.999,875 had been spent from the above funds to repair 04 tractor trailers of the Sabha. The technical evaluation report for repairs to the trailer had not been obtained.

- (c) Although the Ministry had granted Rs.4,000,000 to fulfil these development work, the funds concerned had not been utilized during the said period. As such, a sum of Rs.1,682,149 had been returned.

3.3 Solid Waste Material Management

The compost fertilizer production centre constructed at Kannakipuram in 2011 under the UNOPS Programme for recycling waste materials remained idle since the date of construction due to lack of necessary machines.

4. Accountability and Good Governance

4.1 Internal Audit

Paragraph 8 of the circular No.03 dated 08 November 2005 of the Ministry of Local Government relating to Local Government Reforms states that each local authority should establish their own internal audit branch according to their ability. The Sabha had not established an internal audit branch as directed.

5. Systems and Controls

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

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