

**Karaituvu Pradeshiya Sabha
Ampara District**

1. Financial Statement

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 21 April 2015 and the financial statements for the preceding year had been presented on 06 June 2014. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 21 September 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 Thirukkivil 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.2.

1.3.2 Accounting Deficiencies

The following accounting deficiencies were observed

- (a) The Supply Services Utility paid during the year under review as per ledger amounted to Rs.5,354,548 and it had been shown as Rs.5,340,693 in the financial statements. As a result, the supply Services Utility had been understated by Rs.13,894.
- (b) The water motor purchased for Rs.20,180 during the year under review had not been shown in the financial statements.

1.3.3 Accounts Receivable and Payable

The following observations are made

- (a) Tax retentions amounting to Rs.271,460 had not been remitted to the Department of Inland Revenue and had been continuously shown in the accounts for about 06 years.

- (b) The Nation Building Tax of Rs.10,003 continued to be shown in the Deposit Account for 05 years without being remitted to the Department of Inland Revenue.
- (c) Action had not been taken up to 19 June 2015, the date of audit, to recover or to write off from the books the revenue from public market tax amounting to Rs.15,000. which had been continuously shown in the financial statements as receivable since 2008.
- (d) The loan balances of Rs.37,697 recoverable from 4 officers who had gone on change of station transfers remained recoverable for over 09 years. However, action had not been taken upto 19 June 2015 to receive it from the institutions concerned.
- (e) The arrears of meat stall rent for the period 1992 to end of 2013 amounted to Rs.736,640. Action had not been taken upto 19 June 2015, the date of audit, to recover it or to write off it from the book.

1.3.4 Lack of Evidence for Audit

Evidence indicated against each item as appearing in the financial statements had not been presented to audit.

Item	Value	Evidence not Furnished
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	Rs.	
Land and Buildings	95,892,768	} Register of Fixed Assets and Board of Survey Reports
Equipment and Machinery	2,613,470	
Library Books	1,471,105	

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2014 amounted to Rs.4,383,845 as compared with the excess of recurrent expenditure over revenue of the preceding year amounting to Rs.3,795,378 showing a deterioration in financial results of the year under review amounting to Rs.588,467.

2.2 Revenue Administration

2.2.1 Recovery of Advertisement Board Charges

As there was delay in framing bye-laws for recovery of revenue by the Sabha in terms of Section 126 of the Preadeshiya Sabha Act No.15 of 1987, the Sabha had been deprived of revenue from 04 advertisement boards exhibited within the authoritative area of the Sabha by private institutions to promote their products available for sale and the revenue from 02

telecommunication towers established by telecommunication establishments amounting to Rs.175,000.

2.2.2 Rates and Taxes

The Sabha had not taken action to assess and recover from 54 stalls within the authoritative area of the Sabha and from land, houses and buildings of 5175 families from 2003 to 2014. As a result, the Sabha had been deprived of an annual revenue of Rs.180,000.

2.2.3 Court Fines

Court fines due from the Magistrates' Court under various ordinances as at 31 December 2014 amounted to Rs.654,965. So far this had not been recovered from the Chief secretary of the provincial council.

2.2.4 Stamp Fees

Stamp fees amounting to Rs.2,269,077 due from the Registrar General as at 31 December 2014 had not been recovered.

3. Operating Review

3.1 Management Inefficiencies

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- (a) A plastic pounding machine valued at Rs.754,200 had been purchased on 22 November 2012 under the Specific Provincial Development Aid (SDG). This remained in the stores till 19 June 2015 without being used for the required purpose.
 - (b) Electric bulbs and equipment had been purchased for Rs.138,380 to maintain 759 street lights during the year under review. Purchase of these electrical equipment, maintenance of stock books, issue of goods and preparation of paid vouchers had all been done by an identical officer.

3.2 Contract Administration

The following observations are made.

- (a) A sum of Rs.4,000,000 had been granted under the Strengthening of Pradeshiya Sabha Programme during the year under review. However, out of this money, a sum of Rs.1,396,000 had been spent on Children's Park and repairs to motor vehicles. The balance had not been utilized for the said purpose. Further, the balance had not been remitted to the Ministry before 15 May 2015 as required by the letter No. PL/3/1/47 of April 2015 issued by the Ministry of Local Government. This had not been returned upto 19 June 2015 the date of audit.

- (b) A contract had been awarded to a community based society for Rs.562,500 during the year under review to renovate 03 roads within the authoritative area of the Sabha by spreading loose soil.

The following observations were made in this regard.

- (i) A field inspection carried out with the technical officer with regard to renovations of these roads revealed that although loose soil had not been used for renovations on 39.45 cm of roads, a sum of Rs.49,402 had been paid by recommending that the work had been satisfactorily carried out.
- (ii) Low quality loose soil had been used and as such the public had to face problems. while using the roads.
- (c) The following matters were observed in the installation of a water motor at the New Sabha Building constructed under the Puranagume Programme.
- (i) The amount estimated to install a water motor at this building was Rs.34,000. However, a sum of Rs.20,180 had been spent from the funds of the Sabha to purchase a motor water as a result of not attempting to instal the motor by utilizing the services of the contractor.
- (ii) Although the Sabha had decided to purchase the water motor on 27 November 2014, it had already been purchased on 24 October 2014.
- (d) The following shortcomings were observed with regard to the purchase of 18 tyres for Rs.740,520 for vehicles used for the Solid Waste Material Management Programme during the year under review.
- (i) Quotations had been called for, without quoting the trade name of the tyre and the code of the tyre.
- (ii) The Sabha had overpaid Rs.125,625 as a result of purchasing CEAT type of 8.25 x 20 in excess of the market price prevailing on the date of purchase.
- (e) Books had been purchased for Rs.300,000 under the PSDG financial provision for the Vipulananda Public Library during the year under review. The following matters were observed in this connection.
- (i) Quotations received for the purchase were in the possession of the officer without being inserted in the quotations box till the commencement of the procurement committee meeting.
- (ii) The procurement committees decision to make these purchases had been made on 27 May 2014. However, it was understood according to the date stamp of the post office appearing on the cover that the Sabha had received the selected suppliers' quotations on 28 May 2014.

- (iii) Books had been purchased on the discretion of the lady librarian without preparing the list of books needed.
- (f) A sum of Rs.870,464 had been spent to concrete the Madavi Road of ward No.01 of Karaitivu under the PSDG financial provision during the year under review. The following matters were observed in this connection.
 - (i) The width of the road was 3 metres, whereas a sum of Rs.16,000 had been paid for a motor grader to renovate the road. The documents produced to audit showed that a JCB machine had been used instead of a motor grader.
 - (ii) A sum of Rs.10,000 had been paid to install a name board along with the details of construction of roads. However, an on the spot inspection carried out on 19 June 2015 showed that the road's name board had not been installed.
 - (iii) According to the bill of quantities of the technical officer, 783 kg of iron rods of 66 mm were required. But, payments had been made for 722 kg of iron rods according to the payment sheets. The existence of the road had become questionable as a result of using 61kg of iron rods which were not in compliance with the technical officer's measurement.

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 report of the following areas of systems and controls.

- (a) Accounting
- (b) Revenue Administration
- (c) Fixed Assets Control
- (d) Recovery of Advances
- (e) Procurement Procedure
- (f) Contract Administration