

**Navithanveli 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 11 May 2015 and the financial statements for the preceding year had been presented on 21 May 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 Navithanveli 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**

-----  
Although cash flow statements should be furnished with the financial statements in terms of Sri Lanka Public Sector Accounting standard No.2, such cash flow statements had not been furnished.

**1.3.2 Accounting Policies**

-----  
The financial 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.2.

**1.3.3 Accounting Deficiencies**

-----  
The following accounting deficiencies are observed.

- (a) Provision had not been made for the audit fees of Rs.11,500 payable for the year under review.
- (b) The Pradeshiya Sabha had obtained 15 office equipment from various institutions. However, the value of these had not been assessed and brought to account.

- (c) The Pradeshiya Sabha owned 4 tractors and trailers. However, their values had not been assessed and brought to Assets Account.

#### **1.3.4 Accounts Receivable and Payable**

-----

The arrears of lease rent of meat stalls for the period 2006 to 2012 amounted to Rs.2,523,081. Action had not been taken to recover this or to take legal action against them, upto 14 July 2015, the date of audit.

#### **1.3.5 Non-compliance with Laws, Rules, Regulations etc.,**

-----

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

#### **Reference to Laws, Rules, Regulations etc.,**

-----

#### **Non-compliance**

-----

- (a) Section 158 of the Pradeshiya Sabha Act  
No. 15 of 1987

Rates and taxes had not been recovered from all divisions within the authoritative area of the Sabha.

- (b) Financial Regulations of the Democratic  
Socialist Republic of Sri Lanka

-----  
Financial Regulation 880

Security deposits had not been recovered from 2 officers administratively handling cash and stores.

- (c) Treasury Circular No.1A1/2002/02 of 28  
November 2002

A register of computers had not been maintained for entering 10 computers and computer accessories.

## **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.2,398,010 as against the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.1,172,876 showing a deterioration in financial results of the year under review amounting to Rs.3,570,886.

## **2.2 Revenue Administration**

-----

### **2.2.1 Rates and Taxes**

-----

The Sabha could not frame bye-laws to recover revenue in terms of Section 134 of the Pradeshiya Sabha Act No.15 of 1987 and as such action had not been taken to compute and recover rates and taxes from land, houses and buildings constructed etc., within the authoritative area of the Sabha for the period 2006 to 2014 resulting in the Sabha being deprived of revenue of about Rs.30,000 per annum.

### **2.2.2 Recovery of Licence Fees**

-----

The licence fees of Rs.96,000 only recoverabl for the period 2009 to 2014 from 02 telecommunication towers established by telecommunication institutions within the authoritative area of the Sabha had not been recovered.

### **2.2.3 Stamp Fees**

-----

Action had not been taken upto 14 July 2014 to compute the stamp fees receivable as at 31 December 2013 and to recover it from the Registrar General.

## **3. Operating Review**

-----

### **3.1 Management Weaknesses**

-----

A current account had been opened in 2009 at the Bank of Ceylon with the idea of paying for the road maintenance services relating to roads renovated by the UNOPS organization. This remained dormant from 2013 to the date of audit, that is, 14 July 2015. However, action had not been taken in terms of the circular No. 105/98 of the Department of Public Accounts to close this account.

### **3.2 Contract Administration**

-----

It had been stated that local societies could participate in construction contracts in terms of procurement procedure so as to achieve the social objective of creating employment opportunities. However, 2 contracts valued at Rs.170,000 had been awarded on a decision made by the Sabha alone during the year under review without following the procurement procedure.

**3.3** A non-governmental organization had constructed and handed over a Solid Waste Material Centre valued at Rs.3,000,000 during the year 2010 without making feasibility studies. This had not been used upto now due to protests made by the public.

#### **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) Revenue Administration
- (c) Fixed Assets Control
- (d) Recovery of Advances
- (e) Contract Administration