

Nintavur 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 06 May 2015. and the financial statements for the preceding year had been presented on 21 May 2015. 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 Nintavur 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 Accounting Deficiencies

- (a) The sum of Rs.739,500 being hire charges of the JCB machine for the year under review due from external parties had not been brought to account.
- (b) The sum of Rs.312,075 payable to the Karaitivu Pradeshiya Sabha upto end of 2013 for disposal of garbage within the area of the Sabha had not been brought to account.
- (c) The interest obtained during the year under review for the fixed deposits of the Sabha amounting to Rs.745,713 had not been brought to account.
- (d) The value of stock of electricity equipment at the stores as at 31 December 2014 amounted to Rs.218,438. This had not been included in the accounts for the year under review.
- (e) The stamp fees of Rs.10,245,676 due from the Chief Secretary, Eastern Province for the period 2013 to 2014 had not been brought to accounts.
- (f) The court fines of Rs.1,353,668 recoverable from the Chief Secretary, Eastern Province for the year under review had not been brought to accounts.

- (g) The balance of the fixed deposits of the Sabha as at 31 December 2014 amounted to Rs.1,384,249. This had been understated in the accounts by Rs.805,582.

1.3.3 Accounts Receivable and Payable

The following observations are made.

- (a) The arrears of rent of meat stalls for the period of 1980 to end of 2012 amounted to Rs.3,173,466. Action had not been taken upto end of the year under review to recover this or to take legal action against the party concerned.
- (b) The electricity charges payable to the Electricity Board for consumption of electricity for street lighting for over 21 years amounted to Rs.2,951,150. Action had not been taken to pay this amount upto end of the year under review.
- (c) A sum of Rs.48,564 was recoverable from 05 officers who had gone on change of station transfers in 2007 and a sum of Rs.96,810 was recoverable from 21 officers who had expired/ vacated posts. Action had not been taken upto 25 May 2015 to recover this from the institutions to which they had been transferred or from the sureties or from their retirement gratuities.

1.3.4 Non-compliance with Laws, Rules, Regulations etc.,

Action had not been taken in terms of the Financial Regulation 571 with regard to lapsed deposits aggregating Rs.742,110 remaining in the deposit account for over 2 years.

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.2,566,378 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.1,608,656 showing an improvement in financial results of the year under review amounting to Rs.4,175,034.

2.2 Revenue Administration

2.2.1 Trade Licence Fees

- (a) A sum of Rs.580,675 was recoverable from 566 trade centres within the authoritative area of the Sabha as trade licence fees and advertisement charges relating to advertisement boards exhibited in those centres. Action had not been taken to recover this upto 25 May 2015 in terms of sub-sections vii(8) and (xxx) of Section 126 of the

Pradeshiya Sabha Act No.15 of 1987 and the Gazette Extra Ordinary Notification No.1846 of 17 January 2014 of the Democratic Socialist Republic of Sri Lanka.

(b) Recovery of Fees for Telecommunication Towers

The licence fees due upto end of the year under review from 02 telecommunication towers within the authoritative area of the Sabha constructed during the years 2008 and 2009 amounted to Rs.436,992. Action had not been taken to recover this amount upto 25 May 2015 in terms of the Gazette Notification No.1846 of 17 January 2014 of the Democratic Socialist Republic of Sri Lanka.

3. Operating Review

3.1 Management Inefficiencies

The following observations are made.

- (a) A sum of Rs.592,500 had been received in 2012 under the decentralized budget to construct a gateway. This had been included in the Deposit Account without being used.
- (b) Nineteen out of 36 stalls of the Nintavur Trade Complex remained closed from 2012 to 25 May 2015. However, the Sabha had paid Rs.52,087 as electricity charges during the year under review on behalf of those stalls.
- (c) A sum of Rs.1,540,390 was due from external parties on behalf of the hire charges of the JCB machine for the period 2012 to 2014. Action had not been taken upto 25 May 2015 to recover this from the party concerned or to take legal action against them.
- (d) A sum of Rs.980,400 had been paid for name boards of 38 roads within the authoritative area of the Sabha in all three languages. According to the information directly obtained in audit from the organizations preparing the name boards and from the related officers it was observed that these name boards could have been prepared at a cost of Rs.539,030. Therefore, the loss caused to the Sabha in this connection amounted to Rs.441,370.

3.2 Vehicle Utilization

The Sabha had utilized 13 vehicles during the year under review and had spent Rs.2,833,695 on fuel and maintenance.

The following observations are made with regard to the utilization of these vehicles.

- (a) Fuel orders had been issued to 4 vehicles during the year under review to obtain 5432 litres for Rs.640,976 without examining the monthly performance summaries and the consumption of fuel.

- (b) The tractor bearing No.RB -1530 was under repairs in June of the year under review and had not been used. But, 25 litres of diesel for Rs.15,283 had been purchased during this period.
- (c) The tractor bearing No.RB – 1530 had been utilized to remove waste materials for 106 machine hours. However, there were no entries in the running charts confirming this.
- (d) The running charts and the summary of consumption of fuel relating to the usage of vehicle No. NA-0125 for 106 machine hours during the period 01 January 2014 to 12 February 2014,had been called for. But, these had not been furnished.

3.3 Operating Inefficiencies

The Sabha had purchased 35,290 garbage collection bags valued at Rs.299,965 under the Specific Special Provincial Development Aid Plan in 2013 . It was observed that 33,878 of those bags were lying in the stores without being used.

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) Management Control
- (d) Vehicle Utilization