

Porativu Pattu Pradeshiya Sabha

Batticaloa District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 03 June 2015 while Financial Statements relating to the preceding year had been submitted on 27 March 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 19 August 2015.

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 Porativu Pattu Pradeshiya Sabha as at 31 December 2014 and its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Non-compliance with Public Sector Accounting Standards of Sri Lanka

Although Cash Flow Statements had been presented with the financial statement those had not been properly prepared in accordance with the Public Sector Accounting Standards 2.

1.3.2 Accounting Policies

Accounting Policies followed in preparation of financial statements had not been disclosed in the financial statements.

1.3.3 Accounting Deficiencies

Following accounting deficiencies were observed.

- (a) Provision for Audit Fees payable for the year under review amounting to Rs.16,000 had not been made in the accounts.

- (b) Action had not been take to write –off Furniture valued at Rs. 2,100,000 destroyed under war situation during the year 1990 and Library Books valued at Rs. 192,001 destroyed due to floods during the year 2011 from the books. Due to that, value of assets had been overstated to that extent in the financial statements.
- (c) Provision for Electricity Charges payable for the year under review amounting to Rs.30,396 had not been made in the accounts.
- (d) Interest Income of Rs. 51,584 received for Fixed Deposits had not been brought to account.

1.3.4 **Accounts Receivable and Payable**

Following observations are made.

- (a) Action had not been taken to settle retention money payable amounting to Rs 34,666 to five contractors and had been continuously brought forward in the financial statements since the year 2009.
- (b) Although a sum of Rs.504,000 being the total amount due to be recovered from 07 officers who had served in the Sabha and retired had been in arrears since a period of more than five years, that amount had been continuously shown in the financial statements without action being taken to recover.

1.3.5 **Non-compliance with Laws, Rules and Regulations.**

Instances of non-compliance with Laws, Rules and Regulations observed in audit are shown below.

References to Laws, Rules and Regulations etc.

Non-compliance

(a) Pradeshiya Sabha (Financial and Administrative)

Rules – 1988

(i) Chapter I Section 5 (XII)

- Although it is a duty of the Chairman to obtain required amount of security money from officers involved with cash and stores materials, such security money had not been obtained.

(ii) Chapter III Section 81

- Applications for reimbursement of Stamp Duty connected with transfer of ownership of lands to the Registrar General, applications for reimbursement of taxes connected with other transactions to the Director of the Treasury, Eastern Province and applications for reimbursement of fines to the Registrars of Courts had not been submitted at the end of each quarter.

(iii) Chapter X Section 193

A detailed statement showing reasons for variations after comparing revenue and expenditure for the year with the budget had not been prepared and submitted to audit.

2. **Financial Review**

2.1 **Financial Results**

While according to the Financial Statements presented, financial result for the year under review had been an excess of recurrent expenditure over revenue amounting to Rs.1,013,784, as against the excess of revenue over recurrent expenditure for preceding year had been Rs. 3,274,374 indicating a decline in a sum of Rs. 4,288,158 in the financial results.

2.2 **Revenue Administration**

2.2.1 **Performance in Revenue Collection**

(a) **Recovery of Charges for Communication Towers**

An annual revenue of about Rs. 59,000 that could have been recovered as charges for 02 communication towers erected by private communications institutions in the area of authority of the Sabha had been lost due to, failure in framing by-laws for recovery of charges by the Sabha in terms of Section 126 of the Pradeshiya Sabha Act No. 15 of 1987.

(b) **Rates**

Action in terms of Sections 134, 158 and 159 of the Pradeshiya Sabha Act No. 15 of 1987.had not been taken by the Sabha to assess and recover rates for the year 2014 from lands situated, houses and buildings constructed in the area of authority of the Sabha.

(c) **Stamp Fees**

Necessary action had not been taken to compute the amount and obtain Stamp Fees Receivable as at 31 December 2014 from the Registrar General.

(d) **Tax Revenue**

Action had not been taken up to 23 July 2015 to recover Tax Revenue amounting to Rs. 65,703 that had been in arrears from 02 to 11 years as at the end of the year under review.

3. **Systems and Controls**

Special attention is needed in the following areas of controls.

- (a) Accounting
- (b) Revenue Administration
- (c) Budgetary Control.