

Thirukkovil Pradeshiya Sabha

Ampara District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2016 had been submitted to Audit on 29 June 2017 and financial Statements for the preceding year had been submitted to Audit on 24 May 2016 respectively while the Auditor General's Report relating to the year 2016 was sent to the Secretary of the Sabha on 12 October 2017.

1.2 Qualified Opinion

In my opinion, except for the effects 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 Thirukkovil Pradeshiya Sabha as at 31 December 2016 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 Policies

The Accounting Policies used by the Council for preparation of accounts had not been disclosed in the financial statements.

1.3.2 Accounting Deficiencies

Following accounting deficiencies had been observed.

- (a) Interest income of Rs. 206,640 received for fixed deposits during the year under review had not been taken to accounts.
- (b) Even though the outstanding loan balances from officers as at 31 December 2015 was Rs.3,896,375, this balance was brought forward as Rs. 3,644,985 on 01 January 2016 as a result loan balance had been understated by Rs. 251,390 in financial statements for the year under review.
- (c) Furniture value of Rs. 92,065 purchased during the year under review had been shown as recurrent expenditure.
- (d) According to the ledger, although the various refundable deposit balances as at 31 December 2016 was Rs.2,085,980, this balance was shown as Rs. 2,206,904 in the

financial statements and as a result refundable deposits had been overstated by Rs.120,924.

1.3.3 Receivables

Even though, out of Arrears Government Grant Rs.2,412,119 as at 31 December 2016 a sum of Rs. 854,868 had been outstanding over 12 years, it was shown continuously in the financial statements without taking action to recover those.

1.3.4 Lack of Evidence

Evidence indicated against the following each item of accounts had not been furnished to audit.

Item	Value	Evidences not presented
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	Rs.	
Building	126,013,965	} Fixed Assets Register
Plant and Machinery	2,425,198	
Furniture and Fittings	1,468,599	

1.3.5 Non-compliance with the Laws, Rules, Regulations and Management decisions.

Following non-compliance with laws, rules, regulations and management decisions had been observed in audit.

Reference to Laws, Rules, Regulations	Non compliance
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<p>(a) Financial Regulation of the Democratic Socialist Republic of Sri Lanka</p> <p>-----</p> <p>(i) Financial Regulation 371</p>	<p>Even though advances which were made for any purpose, should be settled immediately after the completion of the activities, 12 advances amounting to Rs.284,800 given during the year under review have been settled for a period of time from 30 days to 360 days, 4 advances amounting to Rs. 1,447,820 given to the Chairman, Contractors and Technical Officers were not settled for more than 04 years.</p>

(ii)	Financial Regulation 571	Action as per financial regulations relating to 246 deposits totalled to Rs.6,095,873 which were exceeded from 2 years to 9 years.
(b)	Treasury Circular No. IAI/2002/02 Dated 28 November 2002	A separate register had not been maintained for enter 06 Computers, computer soft wares and accessories.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue over recurrent expenditure for the year ended 31 December 2016 amounted to Rs.6,800,750 as compared with the revenue over recurrent expenditure of the preceding year amounted to Rs.5,810,562. Hence, an improvement of Rs.990,188 in the financial results for the year under review had indicated

2.2 Revenue Administration

2.2.1 Rates and Taxes

According to Section 134 of the Pradeshiya Sabha Act No. 15 of 1987, action had not been taken to assess and recover rates on 439 business places and 8.972 houses within the Sabha area from the year 2010; therefore nearly an income of Rs. 4,700,000 had been losing annually.

2.2.2 lease rent from Meat Stalls, Fish Stalls and Public Market

Out of arrears meat stall lease rental of Rs.606,313 as at 31 December 2016, a sum of Rs. 526,313 had been outstanding for more than 02 years without recovering.

2.2.3 Rent Income

Out of arrears rent income of Rs.1,360,227 as at 31 December 2016, a sum of Rs.734,585 had been outstanding for more than 02 years without recovering.

2.2.4 Charges from Advertising Bulletin Boards

Due to delay of legalizing the sub rules regarding revenue recovery in terms of Section 126 of the Pradeshiya Sabha Act No. 15 of 1987, annual advertising charges from 14 advertising boards which were fixed to advertise sales items of private institutions in the Sabha area could not be charged and nearly an income of Rs. 60,000 had been losing annually.

3. Operational Review

3.1 Management Inefficiencies

Following observations are made.

- (a) Even though 7 vehicles received from other institutions as donations have been used by the Sabha for more than 2 years, action had not been taken to transfer the ownership of those vehicles.
- (b) Sabha owned 03 Tractors, 3 Rollers and one Bowser which can be used after repaired was remaining out of use since action had not been taken for more than 3 years for repairing.

3.2 Contract Administration

3.2.1 Program to Strengthen the Provincial Councils

Following observations are made.

- (a) Even though the recommendation had been obtained by preparing fake documents for the task of repairing one street under the above projects at a cost of Rs. 441,915 and cash had been obtained for that on 31 December 2016, had been obtained for this purpose, but the matter has not been completed to date.
- (b) Without obtaining the approval of the Road Development Authority for the construction of the main bus stand under this programme was carried out with an estimate of Rs. 176,000 and the construction was suspended after spending a sum of Rs. 76,165 due to the construction work being carried out in the area of Road Development Authority. As a result, the cost incurred had become a fruitless expense.

4. System and Control

Special attention should be made on following areas and matters mentioned before that.

Control Area	Matters to be made Special Attention
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(a) Fixed Assets Control	Maintaining the Fixed Assets Register in updated manner.
(b) Revenue Recovery Management	Taking action to recover arrears income.