

**Eravur Pattuwa Pradeshiya Sabha**

**Batticaloa District**

**1. Financial Statements**

**1.1. Presentation of Financial Statements**

The financial statements for the year under review had been presented for audit on 02 April 2014 and the financial statements for the preceding year had been presented on 18 March 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 04 December 2014.

**1.2. Opinion**

Except for the effects on the financial statements of the matters referred to in Paragraph 1.3 of this report, I am of opinion that the financial statements have been prepared in accordance with the Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Eravur Pattuwa Pradeshiya Sabha as at 31 December 2013 and the financial result of its operations for the year then ended.

**1.3. Comments on Financial Statements**

**1.3.1. Compliance with Sri Lanka Public Sector Accounting Standards**

The financial statements had not been prepared in accordance with the Public Sector Accounting Standards, as stipulated in the Circular No. PL/05/PA/SFPSAS dated 27 January 2014 issued by the Secretary to the Ministry of Local Government and Provincial Councils.

**1.3.2. Accounting Deficiencies**

Provisions had not been made in the accounts for the audit fees of Rs.22,000 payable in respect of the year under review.

**1.3.3. Accounts Receivable**

A sum of Rs.463,466 had been receivable from seven employees who had vacated post during the period from 1990 - 2002, and this had been shown in the registers as an amount receivable, without taking action to recover this from the death gratuity or from the sureties.

### 1.3.4. Lack of Evidence for Audit

The evidence indicated against the following subjects in the financial statements, had not been submitted to the audit.

Subject	Value – Rs.	Evidence not submitted
Lands and Buildings	168,002,285	Title Deeds
Plant and Machinery	1,625,491	Registers of Fixed Assets, Detailed Schedules of Assets, and Reports of Survey Boards
Motor Vehicles and Cart	15,150	
Furniture and Fittings	3,087,250	
Library Books	3,926,793	

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

The following instances of non-compliance were observed during the Audit.

#### Reference of Laws, Rules and Regulations

#### Non-compliance

- |  |   |
|--|---|
| (a) Section 134 (1) of Pradeshiya Sabha Act No. 15 of 1987     | Action had not been taken to identify the non-moveable assets within the authority of the Sabha, and collect the rates and taxes after computing the annual assessment of those assets.   |
| (b) Pradeshiya Sabha (Finance and Administration) Rules - 1988 |   |
| (i) Section 5 (XII) of Chapter I                               | Though functions such as finance, stores materials, and signing of cheques, had been entrusted systematically to four officers, security deposits had not been obtained from them.  |
| (ii) Section 81 of Chapter III                                 | Action had not been taken at the end of each quarter to submit; applications to the Registrar General, for the reimbursement of stamp taxes with respect to the vesting of ownership of lands; applications to Director of the Treasury, for the reimbursement of taxes with respect to other transactions; applications to the Registrars of Courts, for the reimbursement of fines. |

(iii) Section 193 of Chapter X

Action had not been taken to compare the details relevant to the Actual Revenue and the Expenditure, relevant to the year with the budget, and prepare a report containing the clarifications for the variances, and submit it to the audit.

## 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 2013 amounted to Rs.14,212,706, as compared with the excess of revenue over recurrent expenditure amounting to Rs.2,312,781 in the preceding year. Therefore financial result of the year under review had shown an improvement of Rs.11,899,925 in comparison to the preceding year.

### 2.2. **Revenue Management**

#### 2.2.1. **Performance on Revenue Collection**

Significant variances were observed between the Estimated Revenue and the Actual Revenue, submitted by the Sabha for the year under review.

Source of Revenue	Estimated Revenue	Actual	Variance
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	Rs.	Rs.	Rs.
(i.) Rates and Taxes	2,025,000	2,550	(2,022,450)
(ii.) Lease Rent	1,220,000	1,147,120	(72,880)
(iii.) Warrant Charges	10,005,000	8,916,670	(1,088,330)
(iv.) Government Tax Revenue	21,600,000	11,787,783	(9,812,217)

#### 2.2.2. **Rates and Taxes**

Action had not been taken as stipulated in Section 134 of Pradeshiya Sabha Act No. 15 of 1987, to obtain the assessed annual value from the Department of Valuation, for the purpose of collection of rates and taxes, in respect of the lands, houses and buildings situated within the area under the authority of the Sabha. Therefore the Sabha had been deprived of an annual revenue of approximately Rs.1,000,000.

### **3. Operating Review**

#### **3.1. Identified Losses**

The following observations are made.

- (a) The revenue of Rs.16,000 earned from 13 certificates of street-line issued by the Sabha, had not been brought to account of the Sabha.
- (b) When quotations were called for filling of gravel in the premises of Public Market (*Mahajana Pola*), the rate for a cubic metre had been estimated as Rs.589. However, when making the payments Rs.950 had been paid for a cubic metre. Therefore an over payment of Rs.13,718 had been made for 38 loads.

#### **3.2 Contract Administration**

A drinking water supplying project had been implemented in Urugamuwa under the Specific District Development Grant, at a cost of Rs.5 million, for 2157 beneficiaries. However, though the estimate for the construction of the water tank was Rs.700,000, a payment of Rs.1,542,175 had been made.

### **4. Accountability and Good Governance**

#### **4.1. Internal Audit**

Though the Section 8 of the Local Government Restructure Circular No. 03 dated 08 November 2005 stipulates that each Local Authority should establish an internal audit section depending on their capacity, an internal audit section had not been established in the Sabha.

#### **4.2. Budgetary Control**

The variances in the range of 40% to 60% were observed between the estimated expenditure and the actual expenditure. Therefore it was observed that the budget had not been made use of as an effective tool of management control.

### **5. Systems and Controls**

Special attention is needed in respect of the following areas of systems and controls.

- a) Accounting
- b) Revenue Management
- c) Fixed Assets Control
- d) Budgetary Control