

## **Kuchchaweli Pradeshiya Sabha**

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**Trincomalee District**  
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### **1. Financial Statements**

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#### **1.1 Presentation of Financial Statements**

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The Financial Statements for the year under review had been presented to audit on 13 May 2014 and the Financial Statements for the preceding year had been presented on 28 March 2013 and amended financial statements for the year under review had been presented to audit on 20 April 2015. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 30 April 2015.

#### **1.2 Opinion**

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In my opinion except for the effects on the Financial Statements of the matters referred to in paragraph 1.2 of this report the Financial Statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Kuchchaweli Pradeshiya Sabha as at 31 December 2013 and the financial result of its operations and cash flow for the year then ended.

#### **1.3 Comments on Financial Statements**

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##### **1.3.1 Accounting Deficiencies**

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Following accounting deficiencies are observed.

- (a.) The balance of the miscellaneous deposits account amounting to Rs.4,221,592 as at 31 December 2013 as per miscellaneous deposits ledger had been accounted in the financial statements as Rs.4,981,534. Due to this miscellaneous deposit balance had been overstated by a sum of Rs.759,942.
- (b.) The balance of the contractor deposits account amounting to Rs.7,568,037 as at 31 December 2013 as per contractors deposit ledger had been accounted in the financial statements as Rs.7,851,797. Due to this contractors deposits balance had been overstated by a sum of Rs.283760 in the financial statements.
- (c.) The balance of Sundry Creditors amounting to Rs.591,135 as at 31 December 2013 as per sundry creditors ledger had been accounted as Rs.213,605 in the financial statements. Due to this sundry creditors balance had been understated by a sum of Rs.259,530 in the Financial Statements.
- (d.) The value of tractor Rs.1,480,000 received as donations from the Ministry of Agriculture of the Eastern Provincial Council had not been accounted for.
- (e.) 18 motor vehicles received by the Sabha from 9 Ministries and Departments had not been valued and brought to account.

### **1.3.2 Accounts Receivable and Payable**

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- (a.) Arrears of staff loans aggregating Rs.8,500 due from 05 officers vacated their post had remained unrecovered for over 32 years an action had not been taken to recover or write off from ledger.
- (b.) Arrears of staff loans aggregating Rs.548,729 had been due from officers transferred out to other Departments without action being taken to recover for periods ranging from 03 to 05 years.

### 1.3.3 Lack of Evidence for Audit

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Following items of accounts could not be satisfactorily vouched or examined in audit due to lack of evidence indicated against those items.

<b>Item of Account</b>	<b>Value</b>	<b>Evidence not furnished</b>
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	Rs.	
Land and Buildings	79,151,944	Land Ownership Deed
Machinery and Equipment	13,690,632	} Fixed Assets Register and Board of Survey Reports
Furniture	2,547,653	
Motor Vehicles	15,813,186	

### 1.3.4 Suspense Account

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The credit balance of Rs.1,523 in the suspense account had been brought forward from year 2005 without action being taken to identify and write off.

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

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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.) Pradeshiya Sabha Act No.15 of 1987

Section 19(1)(1) of  
Chapter II

- Salaries amounting to of Rs.5,428,984 had been paid to 41 temporary appointed officers for the period of year 2009 to 2013 without obtaining prior approval from the Ministry of Local Government.

(b.) Pradeshiya Sabha Rules (Financial and Administration) of 1989

Section 5(xii) of Chapter I

- Security deposits had not been obtained from 03 officers who were entrusted with custody of cash and stores.

(c.) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

F.R. No.571(2)(3)

- The balance of Rs.156,650 in the revenue deposits account had continued to be shown in the financial statements for over 16 year without action being taken to identify or write off.

## 2. Financial Review

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### 2.1 Financial Results

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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 Rs15,328,480 while the corresponding excess of revenue over recurrent expenditure for the preceding year had been Rs.4,435,483. The Financial result had been improved by of Rs.10,842,997 for the year under review over the preceding year.

### 2.2 Revenue Administration

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#### 2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

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The information furnished by the Sabha relating to estimated Revenue, Actual Revenue and Arrears of Revenue for the year under review are shown below.

	<b>Item of Revenue</b>	<b>Estimated</b>	<b>Actual</b>	<b>Cumulative Arrears as at 31 December</b>
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		Rs.'000	Rs.' 000	Rs. '000
(i)	Assessment Taxes	50,003	6,445	4,413
(ii)	Rent	5,175	7,290	2,865
(iii)	Service Charges	6,023	2,167	6,928
(iv)	Warrant Charges	14,260	17,196	54
(v)	Other Revenue	18,749	9,105	458

### **2.2.2 Telecommunication Tower Licence Fees**

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The Sabha had failed to recover the license fees in respect of telecommunication towers installed within the Pradeshiya Sabha Administrative area and due to this the Sabha had lost the revenue of Rs.33,000.

## **3. Operating Review**

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### **3.1 Management Inefficiencies**

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- (a.) Action had not been taken to change the ownership in respect of the 18 Motor vehicles received by the Sabha as donations from other institutions prior to more than 08 years.
- (b.) The Sabha had not taken action regarding the shortage of 574 inventory items and 1574 library books shown in the Board of Survey Report for the year 2013.
- (c.) The Sabha had failed to install time recording machine as per instructions given by the Ministry of Public Administration Circular No.15/2001 dated 07 August 2001 and Circular No.09/2009 dated 16 April 2009.
- (d.) The Sabha had not taken action in respect of unrealized cheques aggregating Rs.15,605 obtained from various persons during the year 2006.

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

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

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According to Paragraph 08 of the Circular No.03 dated 08 November 2015 of the Ministry of Local Government every local authority should establish an Internal Audit Section. But the Sabha had not established an Internal Audit Section.

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

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

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