

**Thirukkovil Pradeshiya Sabha**

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**Ampara District**  
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**1. Financial Statements**

**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 July 2015 and the financial statements for the preceding year had been presented on 26 May 2014. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 29 October 2015.

**1.2 Qualified Opinion**

In my opinion, except for the effects on the financial statements of the matters shown in paragraphs 1.3 of this report, the financial statements give a true and fair view of the financial position of the Thirukkovil 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 Compliance with Sri Lanka Public Sector Accounting Standards**

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Cash flow statements had not been furnished with the financial statements in terms of Sri Lanka Public Sector Accounting Standard No.2.

**1.3.2 Accounting Policies**

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The policies adopted in preparing the financial statements had not been disclosed in the financial statements in terms of Sri Lanka Public Sector Accounting Standard No.3.

**1.3.3 Accounting Deficiencies**

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(a) Provision had not been made for the audit fees of Rs.8,500 for the year under review.

- (b) Donations/purchases of books to the library during the year under review amounted to Rs.169,043. However, this had been shown as Rs.54,764 in the accounts. As a result, the value of assets had been understated by Rs.114,297.
- (c) The value of 20 books donated to the Sabha by the Asian Foundation during the year under review had not been assessed to brought to the Assets Account.
- (d) According to the register of compost fertilizer, 3,795 bags of compost fertilizer had been sold for Rs.721,000. However, the amount shown in the financial statements as revenue obtained from sale of compost fertilizer was Rs.162,000 only. Accordingly, the revenue from sale of compost fertilizer had been understated in the financial statements by Rs.559,000.
- (e) Compost fertilizer had been sold for Rs.151,190 on loan basis during the year under review. However, this had not been brought to the Debtors' Account.

#### 1.3.4 Accounts Receivable

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- (a) The Sabha had not taken action upto 02 September 2015 to identify the advances of Rs.270,941 granted prior to 2011 and to recover it or to taken legal action against those responsible.
- (b) The sum of Rs.20,000 received as advance by the Chairman under the Solid Waste Material Management Programme on 19 March 2012 had not been repaid upto 02 September 2015.
- (c) The petty cash advance of Rs.5,000 obtained by the Secretary of the Pradeshiya Sabha during the year under review had not been settled upto 02 September 2015.

#### 1.3.5 Lack of Evidence for Audit

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Evidence indicated against each of the item of account shown below had not been furnished for audit.

<b>Item</b>	<b>Value</b>	
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	<b>Rs.</b>	
Land and Buildings	126,031,965	} Register of Fixed Assets
Furniture and Fittings	1,468,600	
Motor Vehicle and Carts	55,224	
Machine and Machinery	2,425,198	

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

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The following instances of non-compliance with laws, rules and regulations were observed in audit.

#### Reference to Laws, Rules etc.,

#### Non-compliance

- (a) 1988 Pradeshiya Sabha (Finance and Administration) Rules

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Chapter iv  
Section 180

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Activities dealing with cash, stores materials and signing of cheques had been administratively handed over to 2 officers from whom security deposits had not been obtained.

Financial Regulation 1647

Vehicle log books containing details of the vehicle number, type, date of receipt, type of fuel used etc., had not been maintained.

- (b) Treasury Circular No. IAI/2002/02 of 28 Number 2002

A register of computers had not been maintained to enter the 09 computers and its accessories.

- (c) Letter of the Public Administration No.08/2014 of 26 December 2014

Action had not been taken to insure 16 vehicles during the year under review.

## 2. Financial Review

### 2.1 Financial Results

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According to the financial statements presented, the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2014 amounted to Rs.711,495 as compared with the excess of recurrent expenditure over revenue of the preceding year amounting to Rs.1,532,256 showing an improvement in financial results of the year under review amounting to Rs.820,761.

## **2.2 Revenue Administration**

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### **2.2.1 Rates and Taxes**

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The Sabha had not taken action to computer the rates and taxes of land, houses and buildings constructed during 2006 to 2014 and to recover it in terms of Section 134 of the Pradeshiya Sabha Act No.15 of 1987.

### **2.2.2 Other Revenue**

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- (a) Legal action had not been taken to recover arrears of revenue of Rs.1,669,045 made up of, taxes of daily fair amounting to Rs.141,000, taxes of week end fair amounting to Rs.94,870, other arrears of lease rent mounting to Rs.517,660 and stall rent of the trade complex amounting to 915,515 due for the period 2011 to 31 December 2014.
- (b) The Sabha had been deprived of an annual revenue of Rs.140,000 from 07 telecommunication towers established within the authoritative area of the Sabha by telecommunication organizations as a result of not framing bye-laws to recover licence fees from them.
- (c) Action had not been taken to frame bye-laws to recover revenue of the Sabha in terms of Section 126 of the Pradeshiya Sabha Act No.15 of 1987. As a result, licence fees could not be recovered for 14 advertisement boards exhibited by private enterprises to advertise trade items within the authoritative area of the Sabha. As a result, the Sabha had been deprived of an annual revenue of Rs.60,000.

### **2.2.3 Court Fines and Stamp Fees**

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- (a) Action had not been taken upto 02 September 2015 to obtain court fines of Rs.2,865,230 for the year under review form the Chief Secretary of the Provincial Council.
- (b) Action had not been taken upto 02 September 2015 to recover the Stamp fees of Rs.1,490,233 from the Registrar General receivable as at 31 December 2014.

### **3. Operating Review**

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#### **3.1 Management Weaknesses**

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- (a) Action had not been taken upto 02 September 2015 to recover salary advances of Rs.42,347 granted to 2 officers of the Sabha in 2013 from the General Deposit Account.
- (b) According to the Public Administration Circular No. 2001/15, finger print machines should be used in offices where 25 officers are employed. However, finger print machines had not been used in the Pradeshiya Sabha where 59 officers had been employed.
- (c) The sum of Rs.16,933 payable to the Employees' Trust Fund for the period November 2012 to February 2013 had not been paid on the due dates and as such surcharge amounting to Rs.6,846 had been paid.

### **4. Systems and Controls**

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

- (a) Accounting
- (b) Revenue Administration
- (c) Fixed Assets Control
- (d) Recovery of Advances