

Poththuvil Pradeshiya Sabha

Ampara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 16 March 2015 and the financial statements for the preceding year had been presented on 20 March 2014. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 05 August 2015.

1.2 Qualified Opinion

In my opinion, except for the effects on the financial statements of the matters shown in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Poththuvil 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

The financial statements had not been prepared in terms of the Circular No. PL/05/PA/SL PAS of 27 January 2014 of the Secretary to the Ministry of Local Government and Provincial Councils.

1.3.2 Accounting Deficiencies

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- (a) Provision had not been made for the audit fees of Rs.11,500 payable for the year under review.
 - (b) One hundred and seventy seven out of 215 plastic umbrellas purchased for collecting waste materials during the year under review valued at Rs. 290,634 had not been included in the Assets Account.
 - (c) The values of fourteen vehicles obtained as donations from ministries and planning offices and 15 vehicles of the Sabha had not been assessed and included in the Assets Account.
 - (d) Electricity equipment valued at Rs.14,000 lying at the stores as at 31 December 2014 had not been included in the Assets Account during the year under review.

1.3.3 Accounts Receivable Payable

The following observations are made.

- (a) The arrears of stall rent due from 08 lessees who had obtained stalls of the public market belonging to the Sabha for the period 1995 to 2005 amounted to Rs.32,667. Action had not been taken to recover this or to take legal action against the persons concerned upto 23 March 2015.
- (b) A sum of Rs.112,354 was due from 02 officers who had been transferred prior to 2010 and a sum of Rs.435,700 was recoverable from 17 officers who had vacated posts. Action had not been taken upto 23 March 2015 to recover it from the institutions to which they have been transferred or from their sureties.

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 2014 amounted to Rs.3,096,724 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.1,575,692 showing an improvement in financial results of the year under review amounting to Rs1,521,032.

2.2 Revenue Administration

2.2.1 Rates and Taxes

- (a) The Sabha had not taken action to frame bye-laws to recover rates and taxes from land, houses and buildings constructed within the authoritative area of the Sabha in terms of Section 134 of the Pradeshiya Sabha Act No.15 of 1987.
- (b) The arrears of rates and taxes due from meat stalls for the period 1992 to 2013 amounted to Rs.1,718,703. Action had not been taken upto end of the year under review to recover this or to take legal action against the persons concerned.

2.2.2 Licence Fees

- (a) Licence fees amounting to Rs. 1,561,138 had been recovered during the year under review from 674 trade centres, hotels, rest houses and tourist guest houses operating within the authoritative area of the Sabha. However, trade licences had not been issued to 450 of those centres from which fees had been recovered, upto 23 March 2015, the date of audit.

- (b) The Sabha had been deprived of an annual revenue of about Rs.500,000 as licence fees for advertisement boards and banners exhibited within an area of 232 sq.metres as a result of not taking action in terms of Sections 149, 150, 151 and 152 of the Pradeshiya Sabha Act No. 15 of 1987.

2.2.3 Lease Rent from Stalls

The arrears of lease rent due upto end of 2013 from 28 lessees of 65 stalls of the public market for the period 2013 and 2014 amounted to Rs.446,882 and the amount recoverable from 05 persons upto end of the year under review amounted to Rs,28,000. Action had not been taken to recover these upto 23 March 2015.

3. Operating Review

3.1 Management Weaknesses

- (a) Sixteen out of 25 stalls of the Poththuvil Public Market Trade Complex remained closed from 2011 to 23 March 2015, the date of audit. The Sabha had paid the electricity charges of Rs.184,320 of those stalls.
- (b) The World Vision Organization had granted Rs.1,231,600 in 2008 and 2011 with the objective of increasing the revenue and to create employment opportunities of the Sabha. A sum of Rs.1,621,127 from the funds of the Sabha had been utilized along with the above amount to construct a paper recycling centre with machinery. Necessary training had not been afforded to the employees of the centre and as such it remained closed for over 04 years. Necessary action had not been taken to operate this centre upto 23 March 2015, the date of audit.

4. Accountability and Good Governance

4.1 Internal Audit

Paragraph 8 of the circular No.03 dated 08 November 2005 of the Ministry of Local Government relating to Local Government Reforms states that each local authority should establish their own internal audit branch according to their ability. The Sabha had not established an internal audit branch as directed.

5. Systems and Controls

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

- (i) Accounting
- (ii) Fixed Assets Control
- (iii) Revenue Administration