

Padavi Sripura Pradeshiya Sabha

Trincomalee District

1. Financial Statements

1:1 Presentation of Financial Statements

The financial statements for the year under review had been presented for audit on 08 May 2013 and the financial statements for the preceding year had been presented on 30 April 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 23 September 2013.

1:2 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Padavi Sripura Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2012. and except for the effects on the financial statements of the matters referred to in my 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 Padavi Sripura Pradeshiya Sabha as at 31 December 2012 and the financial results of its operation for the year then ended.

1.3. Comments on Financial Statements

1:3:1 Accounting Policies

The following observations are made.

- (a) The accounting policies adopted in preparation of financial statements had not been disclosed with the financial statements.

- (b) Provision for depreciation had not been made for fixed assets amounting to Rs.21,331,327 used in operating activities and earning of revenue. As a result, the expenditure shown in the financial statements had not depicted the actual expenditure.

1:3:2 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) The interest on fixed deposits amounting to Rs.90,400 received for the year under review had not been accounted for, as revenue.
- (b) The values of 189 items of assets included in the register of fixed assets had not been assessed and accounted for, under fixed assets.
- (c) The court fines of Rs.141,582 received for the year under review had been accounted for, as Rs.197,427 resulting in an overstatement of court fines by Rs.55,845.

1:3:3 Accounts Receivable

Action had not been taken to recover the arrears of trade licences amounting to Rs.37,275 and the arrears of stall rent amounting to Rs.479,872 which had exceeded a period of one year.

1:3:4 Lack of Evidence for Audit

Transactions aggregating Rs.7,558,292 could not be satisfactorily vouched in audit due to non-remission of necessary information for audit.

1:3:5 Non-compliance with Laws, Rules, Regulations

Non-compliance with laws, rules, and regulations observed in audit appear below.

Reference to Laws, Rules and Regulations	Non-compliance
(a) Section 59 of the 1988 Pradeshiya (Finance and Administration) Rules published in the Gazette Extraordinary No. 554/5 of 17 April 1989.	A survey of business establishments within the area of the Sabha had not been conducted.
(b) Circular No. 41/90 of 10 October 1990 of the Secretary to the Ministry of Public Administration, Provincial Council and Home Affairs.	Consumption of fuel by 08 vehicles of the Sabha had not been tested every 6 months.

2. Financial and Operating Review

2:1 Financial Results

According to the financial statements presented, the revenue exceeding the recurrent expenditure of the Sabha as at 31 December 2012 was Rs.383,973 as compared with the revenue exceeding the recurrent expenditure of the preceding year amounting to Rs.186,388.

2:2 Financial Control

Variances ranging from 11 to 237 percent were observed between the actual expenditure and the budgeted provision of the year under review. Accordingly, the annual budget had not been utilized as an efficient instrument of financial control.

2:3 Revenue Administration

2:3:1 Estimated Revenue, Actual Revenue and Arrears of Revenue

The information relating to the estimated revenue, actual revenue and the arrears of revenue for the year under review, as furnished by the Chairman, appear below.

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
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	Rs.Mn.	Rs.Min.	Rs.Min.
(i) Rates and Taxes	100	40	60
(ii) Lease Rent	500	126	470
(iii) Licence Fees	285	220	101
(iv) Other Revenue	60,363	13,673	46,944

2:3:2 Court Fines

Action had not been taken to receive from the Eastern Provincial Council the court fines of Rs.439,993 due as at 31 December 2012.

2:4 Human Resources Management

Approved and Actual Cadre

The information relating to the approved and actual cadre of the Sabha as at 31 December 2012 appear below.

Category of Staff	Approved Cadre	Actual Cadre	No. of Vacancies
Executive Level	01	--	01
Secondary Level	13	05	08
Tertiary Level	23	11	12
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Total	37	16	21
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The following observations were made.

- (a) There was a vacancy for the post of Ayurveda medical officer and for the posts management assistants, development officers and librarians numbering 04, 02 and 02 respectively in the executive and secondary levels.
- (b) A post of electrical technician, a post of ayurveda assistant, a post of driver and 9 posts of labourers were vacant in the tertiary level.

2:5 Contract Administration

Action had not been taken during the year under review to recover demurrage of Rs.960,835 recoverable from the contractor for the delay of 404 days in constructing the Padavi Sripura Public Market Complex.

2:6 Management Inefficiencies

Tube well accessories valued at Rs. 4 million received by the Sabha during 2012 and 2013 from the Eastern Province Water Supplies Development Project through the Japan International Co-operation Association had been decaying due to bad packaging.

3. Systems and Controls

Special attention of the Sabha is needed in respect of the following areas of control.

- (a) Accounting
- (b) Budgetary Control
- (c) Assets Management
- (d) Revenue Administration
- (e) Human Resources Management
- (f) Contract Administration