

Trincomalee Urban Council
Trincomalee District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review and for the year 2009 had not been presented for audit even up to 30 June 2011.

1.2 Comments on Transactions, Operations and Performance

1.2.1 Bank Reconciliations

Action had not been taken in terms of Financial Regulation 395 with regard to 31 cheques valued at Rs. 117,986 remaining unrepresented for payments for over a period of six months.

1.2.2 Accounts Payable

The balances of accounts payable for over a period of 01 year as at 31 December 2010 amounted to Rs.5,294,558.

1.2.3 Lack of Evidence for Audit

Un – replied Audit Queries

Replies for 60 audit queries amounting to Rs. 77,106,218 had not been furnished up to 30 June 2011.

1.2.4 Non – compliance

The following non-compliances with Laws, Rules, Regulations and Management Decisions were observed in audit.

**Reference to Laws, Rules,
Regulations and Management
Decisions**

Non-compliance

- (a) Urban Councils Ordinance No 158 (3) According to the Urban Councils Ordinance No. 158(3) all receipts must be deposited to the relevant bank account. However, the cash receipt of Rs. 360,840 received from 01 March 2010 to 31 March 2010 had been used for daily payments without being deposited in the bank.
- (b) **Urban Council (Financial and Administrative Rules)**
- (i) Chapter IV Section 126 Vouchers had not been certified by the Chairman during the year under review.
- (ii) Chapter IV Section 131 A payment voucher had been prepared without indicating full particulars such as reference to payments, budgeted allocation, expenditure to date and the balance.
- (iii) Chapter X Section 227 A statement of leave obtained by officers of the Council had not been furnished to the Council by-annually.
- (c) **Financial Regulation of the Republic of Sri Lanka**
- Financial Regulation No 104 Action had not been taken to recover losses and damages valued at Rs.300,000 from the relevant parties.
- (d) Procurement Guideline 2.14.1
- i) A sum of Rs.564,500 had been paid for repairs to vehicles without following the procurement procedure.
- ii) A sum of Rs.167,272 had been paid for purchase of Finger Scanner Machines without following the procurement procedure.

2. Financial and Operating Review

2.1 Revenue Administration

2.1.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

The information with regard to the estimated revenue, actual revenue and arrears of revenue for the year under review and the preceding year, as presented by the Chairman are given below.

<u>Item of Revenue</u>	<u>2010</u>			<u>2009</u>	
	<u>Estimated</u>	<u>Actual</u>	<u>Accumulated</u>	<u>Estimated</u>	<u>Actual</u>
	<u>Rs.</u>	<u>Rs.</u>	<u>Arrears as at</u>	<u>Rs.</u>	<u>Rs.</u>
	<u>'000</u>	<u>'000</u>	<u>31 December</u>	<u>'000</u>	<u>'000</u>
			<u>Rs.</u>		
			<u>'000</u>		
(i) Rates and taxes	45,804	8,245	10,664	11,244	--
(ii) Lease rent	18,910	2,707	51,750	10,804	6,281
(iii) Licence fees	1,547	1,296	251,420	2,970	2,718
(iv) Other revenue	3,634	3,173	459,927	--	--

2.1.2 Court Fines

Action had not been taken to recover court fines amounting to Rs. 9,737,109 collected up to 31 December 2010 by the Trincomalee Magistrate's Court under various Ordinances and remitted to the Provincial Commissioner of Revenue.

2.1.3 Stamp Fees

Stamp fees recoverable from the Registrar General had not been computed and accounted for during the year under review.

2.1.4 Non-settlement of Local Government W&OP Contributions of Rs. 5,742,483

W&OP contributions amounting to Rs.5,742,483 for the year under review had not been remitted to the Department of Pensions up to the date of this report.

2.1.5 Unsettled Water Supply Charges for Rs.4,388,041

A sum of Rs. 4,388,041 payable to the Sri Lanka Navy on account of water supplied to the Council had not been paid and this liability had accumulated since 1991.

2.1.6 Arrears of Water Charges Rs.193,073

The arrears of water charges receivable as at 31 December 2010 amounted to Rs.193,073 and action had not been taken to collect the recoveries since 1982.

2.1.7 Arrears of Rent of Quarters

Action had not been taken to recover the arrears of rent of quarters of Rs.254,783 from 1997 to 2006.

2.1.8 Unrecovered Trade Licences

Action had not been taken to recover the arrears of trade licences from 2006 to 2010.

2.1.9 Rent of the Trincomalee Rest House

Action had not been taken to recover the lease rent amounting to Rs. 4,565,275 for the period 1996 to 2007 from the Urban Development Authority in respect the rest house given on rent to the Urban Development Authority.

2.2 Expenditure Structure

The budgeted and actual expenditure and the variances of the Council for the year under review and the preceding year are given below.

<u>Item of Expenditure</u>	<u>Budgeted</u>	<u>2010</u>	<u>Variance</u>	<u>Budgeted</u>	<u>2009</u>	<u>Variance</u>
	<u>Rs.</u> <u>'000</u>	<u>Rs.</u> <u>'000</u>	<u>Rs.</u> <u>'000</u>	<u>Rs.</u> <u>'000</u>	<u>Rs.</u> <u>'000</u>	<u>Rs.</u> <u>'000</u>
<u>Recurrent Expenditure</u>						
Personal Emoluments	72,084	73,683	(1,599)	71,300	68,370	2,930
Other	<u>31,436</u>	<u>17,499</u>	<u>13,937</u>	<u>28,826</u>	<u>23,835</u>	<u>4,991</u>
Sub Total	103,520	91,182	12,338	100,126	92,205	7,921
Capital Expenditure	<u>11,732</u>	<u>2,752</u>	<u>8,980</u>	<u>9,566</u>	<u>3,836</u>	<u>5,730</u>
Grand Total	<u>115,252</u>	<u>93,934</u>	<u>21,318</u>	<u>109,692</u>	<u>96,041</u>	<u>13,651</u>

2.3 Surcharges

The value of surcharges imposed by me and recoverable in terms of (chapter 255) of the Urban Councils Ordinances, against persons who are liable, amounted to Rs.4,027,857 as at 31 December 2010.

2.4 Human Resources Management

2.4.1 Approved and Actual Cadre

Particulars of the approved and actual cadre of the Council as at 31 December 2010 are given below.

<u>Category of Post</u>	<u>Approved</u>	<u>Actual</u>	<u>Shortage/</u> <u>Excess</u>
Staff Grade	03	01	02
Secondary Grade	53	39	14
Primary Grade	205	171	34
Others (Casual / Temporary)	--	<u>105</u>	<u>(105)</u>
	<u>261</u>	<u>316</u>	<u>(55)</u>

2.5 Assets Management

2.5.1 Idle and Underutilized Physical Resources

Particulars in respect of idle and underutilized physical resources revealed at audit test checks are given below.

<u>Assets</u>	<u>Value</u> <u>Rs</u>	<u>Underutilized</u> <u>period</u>
Market building	10,000,000	19 years
Vehicles 08 Nos.	1,600,000	02 years
Unserviceable machinery 12 Nos.	3,096,000	02 years

2.5.2 Accounts Receivable

Balances of accounts receivable as at 31 December 2010 amounted to Rs.1,175,340 while the balance of accounts exceeding a period of 01 year amounted to Rs.1,048,246

2.5.3 Staff Loans Recoverable

Staff loan balances recoverable as at 31 December 2010 totalled Rs. 10,411,257 while the details of balances outstanding had not been rendered for audit.

2.5.4 Assets not Verified

The value of assets amounting to Rs. 67,379,865 shown in the Register of Assets as at 31 December 2010 had not been physically verified.

2.6 Vehicle Utilization

2.6.1 Usage of Fuel

The number of kilometres recorded in the vehicle running charts differed from the actual number of kilometres performed. Details are given below.

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<u>Vehicle No</u>	<u>Date</u>	<u>As per running chart Km</u>	<u>Actual No of kilometres performed</u>	<u>Difference Km</u>
WPJE – 9328	21.01.2010	70	14	56
WPJE – 5262	22.06.2010	94	84	10
WPJE – 5262	24.06.2010	68	63	05

2.7 Apparent Irregular Transactions

The following observations are made.

- (a) A sum of Rs. 564,500 had been paid for repairs made to the vehicle of the Urban Council without following the procurement procedure and obtaining a report from the Mechanical Engineer.
- (b) A sum of Rs. 561,600 had been paid for tyres purchased without following the procurement procedure. Further, items purchased had not been recorded in the Inventory Book.
- (c) Delays were observed in deposits of daily collections.
- (d) An expenditure of Rs.231,482 had been incurred on celebrating the Local Government Week without obtaining approval from the Commissioner of Local Government. Further it was observed that instructions given in the Circular No PL/7/10/5 dated 20.10.2010 had not been followed.
- (e) Finger Scanner Machines had been purchased for Rs.167,272 without following the procurement procedure. Further, it was observed at audit test checks that this machine had not been entered in the Inventory Book.

2.8 Uneconomic Transactions

The following observations are made.

- (a) Although there were watchers in the permanent staff of the Council, a sum of Rs.2,066,643 had been paid during the year under review for obtaining the services of watchers from a private security firm.
- (b) Finger Scanner machines purchased for Rs. 167,272 had not been used by the Council.

2.9 Internal Audit

An adequate internal audit had not been carried out at the Institution.

3. Systems and Controls

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

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