

Town and Gravets Pradeshiya Sabha

Trincomalee District

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year under review had been presented to audit on 27 May 2014 and the Financial Statements for the preceding year had been presented on 03 May 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 25 February 2015.

1.2 Opinion

In my opinion except for the effects on the Financial Statements of the matters referred to in paragraph 1.3 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 Town and Gravest 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

1.3.1 Accounting Deficiencies

Following accounting deficiencies are observed.

- (a.) Even though the balances of two bank accounts had been shown in the cash book as Rs.550,058 and Rs.614,958, the balances had been shown in the financial statements as Rs.878,315 and 586,446. And as such the bank balance had been overstated by Rs.279,745.

- (b.) Court fines amounting to Rs.6,230,707 receivable had not been accounted for.
- (c.) Stamp fees amounting to Rs2,887,023 receivable had not been accounted for.

1.3.2 Accounts Receivable and Payable

Followings matters were observed.

- (a.) Action had not been taken to recover advances amounting to Rs.309,702 paid before year 2010 from the officers.
- (b.) Advances aggregating Rs.2,609,677 paid before year 2010 to other institutions had remained unrecovered.
- (c.) Revenue in arrears aggregations Rs.3,213,291 had remained unrecovered for over 03 years.
- (d.) Payables aggregating Rs.1,542,723 in respect of 15 creditors had remained unsettled for over five years.

1.3.3 Lack of Evidence for Audit

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

Item of Account	Value	Evidence not furnished
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	Rs.	
Land and Buildings	79,151,944	Register of Land and Buildings
Motor Vehicles	13,690,632	} Register of Fixed Assets
Machinery	2,547,653	
Creditors	1,542,723	Creditors Ledger
Miscellaneous Deposits	15,813,186	Age Analysis

1.3.4 Non-compliance with Laws, Rules, Regulations etc.

Following instances of non-compliance with Laws, Rules, Regulations and Management Decisions were observed in audit.

<u>Reference to Laws, Rules, Regulations etc.</u>	<u>Non-compliance</u>
(a.) <u>Pradeshiya Sabha Rules (Financial and Administration) of 1988</u> Chapter III Section 81	- The Sabha had not sent the application forms of reimbursements of stamp fees to the Registrar General each quarter in respect of change of land ownership.
(b.) <u>Financial Regulations of the Republic of Sri Lanka</u>	
(i.) F.R. 396	- Action had not been taken in respect of 06 uncashed cheques aggregating Rs.10,300 issued by the Sabha prior to more than three years.
(ii.) F.R. 880	- Adequate security had not been obtained from 04 officers who were entrusted with custody of cash and stores.

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 2013 amounted to Rs.5,291,015: as against the excess of recurrent expenditure over revenue amounting to Rs.1,466,285 for the preceding year, thus showing an improvement of Rs.6,757,300 in the financial results.

2.2 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, as presented by the Sabha is given below.

Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
	Rs. '000	Rs. ' 000	Rs. '000
Rates and Taxes	8,804	8,266	2,292
Rent	2,000	1,660	476
Licence Fees	2,231	1,717	10
Other Revenue	39,224	35,788	434

2.3 Rates and Taxes

Action had not been taken in terms of Section 134 of the Pradeshiya Sabha Act No.15 of 1987 to recover the rates and taxes aggregating Rs.1,947,465 for houses build and buildings constructed within the administration area of the Sabha from year 2008 to 2013.

2.4 Telecommunication Tower Charges

The Sabha had failed to recover Charges in respect of 11 telecommunication towers for the period 2007-2013. As a result the Sabha had lost a revenue of Rs.231,000.

3. Operating Review

3.1 Management Inefficiencies

- (a.) Action had not been taken to remit the stamp fees aggregating Rs.109,340 to the Commissioner General of Inland Revenue. But the above stamp fees recovered had kept in the Miscellaneous Deposits Account.
- (b.) 158 containers valued at to Rs.498,268 had been purchased under the criteria based programme on 02 July 2013 for preparation of compost fertilizer for distribution among beneficiaries. However, 122 out of 158 containers valued of Rs.384,738 were lying in the store without being distributed.
- (c.) Vellaimunall Market valued at Rs.2,351,530 constructed under the Pura Neguma Project Fund had been handed over to the Sabha after the completion on 26 September 2012. Action had not been taken to utilize its market building for the intendant purposes even by 02 January 2015.
- (d.) A sum of Rs.239,075 had been spent by the Sabha for repairing 04 vehicles during the year under review without obtaining the completion certificate to prove that the vehicles had been repaired satisfactorily.
- (e.) The Sabha had not taken action to get return the 81 library books from members lended to the members before year 2005.

4. Contract Administration

(a.) Construction of Market Building

- i. The Building to be completed within 03 months had been completed on 26 September 2012 after a delay of 03 months. The Sabha had failed to recover the liquidated damages for the delay of completion, as required by the contract agreement.
- ii. A sum of Rs.94,998 had been paid to concrete the floor of the marketing complex consist of 12 shops. However, the concreting had not been done according to the required standard, and the entire floor had been cracked.

(b.) Cleaning of Cematorium

A sum of Rs.251,500 had been spent for the use of dozer machines for cleaning of the Kinniya Crematorium during the year under review. Following observations are made in this regard.

- i. Section 78 of chapter VII of the Pradeshiya Sabha Financial Rules require that supplies and services exceeding Rs.100,000 should be open for public competitive quotations. But the work had been entrusted without calling for public competitive quotations by the Sabha.
- ii. The payment had been made for the dozer for working 50 hours without obtaining a certificate from the Technical Officer to confirm the 50 hours of work.

4.1 Idle Assets

The following assets had remained idle in the Sabha.

<u>Item of Asset</u>	<u>Quantity</u>	<u>Period Underutilized</u>
Wheel Barrow	20	} 04 Years
Roneo Machine	02	
Keyboard	03	
Concrete Mixture Machine	01	03 Years
Door Lock	06	02 Years
Water Filter	03	01 Year

5. Human Resources Management

Particulars of the approved and actual cadre of the Sabha as at 31 December 2013 are given below.

Category of Employees	Approved Cadre	Actual Cadre	Vacancies	Excesses
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Executive Level	01	01	-	-
Secondary Level	27	23	04	-
Tertiary Level	61	45	16	-
Others	-	70	-	70

6. Accountability and Good Governance

6.1 Internal Audit

Every Local Authority should establish an Internal Audit Section as per instructions given by Circular No.03 Dated on 08 November 2005 of the Ministry of Provincial Councils and Local Government. But the Sabha had not established an Internal Audit Section.

6.2 Budgetary Control

A variances within a range of 39% to 93% were observed between the value shown in the statement of actual expenditure prepared by the Sabha for the year under review with the budgeted value. Accordingly the budget had not been made use of as an effective instrument of management control.

6.3 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 Collection
- (iv.) Procurement Procedure
- (v.) Contract Administration