

Kantale Pradeshiya Sabha
Trincomalee District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Auditor General on 21 September 2015 while Financial Statements relating to the preceding year had been submitted on 04 April 2014. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 30 October 2015.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Kantale 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 Accounting Deficiencies

Following accounting deficiencies are observed.

- (a) The balance available amounting to Rs.7,404,136 as at 31 December 2014 after incurring expenditure amounting to Rs.16,433,252 for construction of buildings and repairing roads out of the sum of Rs.23,837,388 received under Pura Neguma Project and the Pradeshiya Sabha Development Fund had been taken to recurrent revenue. Due to that, revenue for the year under review had been overstated to that extent.
- (b) Out of the Mobilization Advances amounting to Rs.3,169,721 paid for contracts, the sum of Rs.2,664,668 due to be received as at 31 December had not been taken to financial statements.
- (c) The Retention money amounting to Rs.2,493,993 payable to the contractors as at 31 December 2014 had not been accounted.
- (d) Fixed Deposit Interest Income amounting to Rs.338,347 relevant to the year under review had been accounted as Rs.774,912. Due to that, Fixed Deposit Interest Income had been over stated in a sum of Rs.406,565 in the accounts.
- (e) Values of Public Market Building consist of 66 stalls and Bus Stand Building consists of 24 stalls, constructed by the Urban Development Authority and handed over to the Sabha during the year 2013 had not been assessed and accounted.
- (f) Out of the rent receivable from 26 Stalls holders amounting to Rs.1,917,005, rent over paid during the period from the year 2008 to year 2014 amounting to Rs.92,110 had been set off against the rent receivable, instead of accounting under liabilities. Due to that,

Stalls Rent Receivable had been accounted as Rs.1,824,895 in the accounts. Accordingly, Stalls Rent Receivable had been understated in a sum of Rs.92,110.

1.3.2 Lack of evidence for audit

Items of Assets valued at Rs.30,189,973 could not be verified due to non-submission of required information to audit.

1.3.3 Non-compliance with laws, rules and regulations.

Instances of non-compliance with laws, rules and regulations observed in audit are shown below.

Reference to laws, rules, regulations etc. -----	Non-compliance -----
(a) Rule 59 of the Pradeshiya Sabah Rules (Financial and Administration)of 1988.	Survey of Business Entities in the area of authority of the Sabah had not been carried out.
(b) Circular No. 41/90 dated 10 October 1990 of the Secretary to the Ministry of Local Government, Provincial Councils and Home Affairs	Although it is required to test the fuel consumption of vehicles once in every 06 months, such action had not been taken with regard to 18 vehicles belong to the Sabah.
(c) Circular No. 1980/22 of the Commissioner of Local Government	An age analysis had not been prepared relating to arrears of revenue.
(d) Provincial Financial Rules No. 237	Action in terms of provisions had not been taken with regard to 09 cheques valued at Rs.64,990 issued, but not presented for payment for more than 06 months.

2. Financial Review

2.1 Financial Results

The excess of revenue over recurrent of expenditure the Sabah for the year ended 31 December 2014 amounted to Rs.4,405,689, as compare with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.4,846,449.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

(a) Information relating to estimated revenue, actual revenue and arrears of revenue for the year under review as submitted by the Chairman is given below.

Item of Revenue	Estimated Revenue	Actual Revenue	Accumulated arrears as at 31 December
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	Rs.000	Rs.000	Rs.000
Rates and Taxes	1,850	2,371	10,852
Lease Rent	16,802	3,954	1,825
License Fees	734	856	--
Other Revenue	7,546	6,976	4,000

2.2.2 **Stamp Fees**

Action had not been taken to identify and obtain the amount receivable as stamp fees as at 31 December 2014, from the Chief Secretary of the Eastern Provincial Council up to 23 September 2015, date of audit.

3. **Operating Review**

3.1 **Management Inefficiencies**

3.1.1 **Non-allocation of Constructed Stalls in the Public Market and the Bus-Stand to Merchants.**

Although the construction of 66 stalls in the new public market having demolished 32 old stalls during the year 2011 and another 24 stalls in the bus stand had been completed by the Urban Development Authority during the year 2011 and had handed over the stalls to the Pradeshiya Sabah on 27 March 2013, those 90 stalls remained idle since the date of taking over.

3.1.2 **Implementation of Recommendations of the Board of Survey Report.**

Following recommendations in the report of the Board of Survey conducted on 02 July 2014 had not been implemented.

- (a) Repairing 23 categories of goods recommended to be repaired and removing 138 categories of goods and 363 books as recommended to be removed.
- (b) Taking necessary course of action with regard to 4948 books identified as misplaced relevant to 04 libraries.
- (c) Re-writing the Inventory Book.

3.2 **Under-utilized Assets**

Although the van purchased during the year 1997 since November 2013, a tractor purchased during the year 1987 since April 2012 and the cab vehicle purchased during the year 2008 since June 2015 had been out of order and parked in the vehicle yard, suitable course of action had not been taken with regard to those.

3.3 Contracts Administration

3.3.1 Construction of Crematorium

Agreements had been signed for a contract value of Rs.15,848,605 on 08 November 2012 with the contractor for Construction of an Electric Crematorium in the Kantale Town. Following observations are made in this connection.

- (a) A sum of Rs.3,169,721 had been paid on 20 November 2012 to the contractor as an advance relevant to this construction. A sum of Rs.505,053 only had been deducted out of the value of work done by the Contractor amounting to Rs.9,848,484 as advance .
- (b) Although the validity period of the advance bond amounting to Rs.3,169,721 had expired on 30 October 2013, action had not been taken up to the date of audit to extend that.
- (c) Although the validity period of the performance bond amounting to Rs.792,430 had expired on 30 March 2013, necessary action had not been taken after that, up to the date of audit to extend that.
- (d) Action had not been taken to retain and remit the Construction Industry Guarantee Fund Levy amounting to Rs.24,621 relating to the sum of Rs.9,848,484 paid to the contractor subject to Finance Acts Amendments No. 13 of 2007 and No. 18 of 2009.

3.3.2 Construction of Multi Purpose Building

Agreements had been signed for a contract value of Rs.51,093,960 on 18 March 2014 with the contractor for Construction of the Multi Purpose Building. Following observations are made in this connection.

- (a) Although the construction should be completed within 06 months from the date of entering into agreement according to the Contract agreement, performance of the construction was at a low level of about 38 per cent as at the date of audit, 23 September 2015.
- (b) Out of the concrete slab in extent of 1192 square meters of the building, concrete had been laid to an extent of 895 square meters. Although wires had been placed on the shuttering, in the balance 297 square meters, it had been subject to corrosion as concrete had not been laid for more than 03 months.
- (c) Construction had been abandoned due to very minimum level of performance over a period of more than 03 months.

3.4 Solid Waste Management

Pradeshiya Sabah had signed an agreement for a contract to the value of Rs.324,530 on 25 July 2011, with a Community Development Society for construction of a building for Solid Waste Management Centre.

Following observations are made in this connection.

- (a) Although the construction works had to be completed by 25 January 2012 according to the contract agreement, construction works had not been completed even as at 23 September 2015, date of audit.
- (b) Although the work assigned should not be given on the basis of sub contract in terms of Clause 3.9.1 of the Procurement Guidelines, it was confirmed that the construction had been assigned to a sub contractor by the contractor.

3.5 Human Resource Management

Approved and Actual Cadre Information relating to the approved and actual Cadre of the Sabah as at 31 December 2014 is shown below.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
Executive Level	03	01	02
Secondary Level	22	18	04
Tertiary Level	38	35	03
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Total	63	54	09
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Following observations are made in this connection.

- (a) While action had not been taken to appoint a suitable person to the post of Secretary to the Sabah that had been vacant since April 2014, a Secretary had been appointed on acting basis.
- (b) Action had not been taken to fill the vacancies in the posts of Ayurvedic Medical Officer, Development Officer, Revenue Inspector, Machine Operator and Works Inspector.

4. Systems and Controls

Special attention is needed in the following areas of controls.

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