

TOWN AND GRAVETS PRADESHIYA SABAH
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 18 May 2015 and the Financial Statements for the previous year had been furnished to audit on 27 May 2014. The Report of the Auditor General for the year under review had been furnished to the Secretary of the Sabah on 20 August 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 Town and Gravets Pradeshiya Sabah 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 SriLanka Public Sector Accounting Standards

A Cash Flow Statement had not been furnished together with the Financial Statements according to Sri Lanka Public Sector Accounting Standard No.02.

1.3.2 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) Although the Bank balances of two bank accounts according to the cash book as at 31 December 2014 had amounted to Rs. 952,509 and Rs. 316,334, the balances had been disclosed as Rs.924,002 and Rs.644,591 respectively in the Financial Statements thus the bank balances had been overstated by Rs. 299,750.
- (b) Although the Staff Loan balance as at 31 December 2014 according to the Staff Loan Register had amounted to Rs.4,776,097, this balance as at that date had been shown in the Financial Statements as Rs. 6,753,993 thus the Staff Loan balance had been overstated by Rs.1,977,896.
- (c) The items purchased at a cost of Rs. 577,650 for the sports meet during the Tamil-Sinhala New Year 2014 had been accounted for as capital expenditure.
- (d) Although the balance as at 31 December 2014 according to the Miscellaneous Deposits Register had amounted to Rs.16,099,156, this balance as at the date had been shown in the Financial Statements as Rs.14,627,886 thus the Staff Loan balance had been understated by Rs.1,471,270.

1.3.3 Accounts Receivable and Payable

The following observations were made.

- (a) The Staff Advances amounting to Rs. 309,702 granted to employees before the year 2010 had been continuously shown in the Financial Statements without action being taken to recover.
- (b) Action had not been taken to recover the advances aggregating Rs. 1,907,786 granted to other institutions before the year 2010.
- (c) Revenue aggregating Rs. 3,203,295 remains outstanding for over seven years. This balance is being shown in the Financial Statements continuously without action being taken to recover.
- (d) Fourteen Sundry Creditors balances aggregating Rs. 624,723 had been shown as outstanding for over five years without being settled.

1.3.4 Lack of Evidence for Audit

Evidence indicated against the following each item had not been furnished to audit.

Item of Accounts	Value	Evidence not furnished
	Rs.	
Creditors	701,048	Creditors Ledger
Miscellaneous Deposits	14,627,886	Age Analysis

1.3.5 Non-compliance with Laws, Rules, Regulations etc;

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

**Reference to Laws, Rules,
Regulations etc;**

Non-compliance

- (a) Pradeshiya Sabah (Financial and Administrative) Rules of 1988
Section 81 of Chapter III

Request to Registrar General for refund of stamp duties regarding the change of ownership of lands, request to Director of General Treasury for refund of duties regarding other transactions and request to Registrar of Courts for refund of fines had not been made at the end of each quarter.

- (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka
FR 880

Security had not been obtained according to Chapter 612 of the Employees Security Ordinance from four officers who had been administratively entrusted with cash and stores.

- (c) Eastern Provincial Financial Rules (PFR)

- (i) P.F.R. 237

Although eight cheques to the value aggregating Rs.21,375 issued before one year had not been presented to bank for encashment, action had not been taken according to relevant provisions.

2 Financial and Operating Review

2.1 Financial Results

According to the Financial Statements presented, the operations of the Pradeshiya Sabah for the year ended 31 December 2014 had resulted in an excess of revenue over expenditure amounting to Rs.9,402,844 as against the excess of expenditure over revenue amounting to Rs. 5,423,824 for the previous year thus showing an improvement in the financial results by Rs. 14,826,668.

2.2 Revenue Management

2.2.1 Estimated Revenue, Actual Revenue and Revenue in Arrears

According to the information furnished by the Sabah, the details regarding the estimated revenue, actual revenue and the revenue in arrears during the year under review are given below.

Revenue Item	Estimated Revenue	Actual Revenue	Outstanding Balance as at 31 December 2014
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	Rs.	Rs.	Rs.
	000”	000”	000”
Rates and Taxes	8,970	8,241	2,658
Rental	1,580	2,015	546
Licence fees	11,704	9,449	-
Other Revenue	<u>6,835</u>	<u>10,823</u>	-
	<u>29,089</u>	<u>30,528</u>	<u>3,204</u>

2.2.2 Rates and Taxes

Action had not been taken to recover the Rates aggregating Rs.2,658,384 recoverable from the year 2008 to the year 2014 on the lands and houses and buildings constructed within the authority limit of the Pradeshiya Sabah according to Section 134 of the Pradeshiya Sabah Act No. 15 of 1987.

2.2.3 Recovery of Charges for Telecommunication Towers

The Sabah had lost the revenue amounting to Rs. 255,000 until the end of the year under review due to non-recovery of charges on 08 telecommunication towers erected from the year 2007 upto the year 2014 within the authority limit of the Sabah.

2.2.4 Court Fines

Action had not been taken to receive the court fines amounting to Rs. 14,494,070 from the Chief Secretary of the Provincial Council, which were recovered by the Magistrate Court under various Ordinances.

2.2.5 Stamp Fees

Action had not been taken to recover the Stamp Fees amounting to Rs.1,435,235 receivable from the Registrar General as at 31 December 2014

3. Management Inefficiencies

Following observations were made.

- (a) Although 158 containers had been purchased at a cost of Rs. 498,268 on 02 July 2013 under Criteria Based Programme for producing organic composed fertilizer, 105 containers to the value of Rs. 331,127 had been kept in the Stores until 30 June 2015 without being issued to beneficiaries
- (b) Vellaimanal Market constructed at a cost of Rs. 23,515,530 under the fund allocation of Puraneguma Project and handed over to the Sabah on 26 September 2012 had not been handed over to the use of General Public until 30 June 2015.
- (c) Action had not been taken by the Sabah to recover 3,196 library books which were lent to the readers before the year 2005.
- (d) Withholding Tax amounting to Rs.356,723 recovered from the payments made to the contractors from the year 2009 to the year 2011 had been kept in the Miscellaneous Deposit Account without being remitted to the Department of Inland Revenue.
- (e) Action had not been taken to transfer the ownership of 08 motor vehicles to the Sabah which were received as donation from other Departments although they are being used by the Sabah for over nine years.

4. Contract Administration

(a) Construction of Market Building.

An agreement had been signed by the Sabah on 12 December 2011 for the construction of a market building at a cost of Rs. 2,505,339. The following audit observations were made in this regard.

- (i) Although the building should be completed within 03 months according to the agreement, it had been completed only on 26 September 2012 after a delay of 06 months. However, Liquidated Damage according to the agreement had not been recovered.
- (ii) It was revealed in the audit examination carried out on 30 June 2015 that the floor had cracks and had lowered as it had not been concreted as stipulated. However, a sum of Rs. 94,998 had been paid to concrete the floor of this market building which contained 12 stalls.
- (iii) It was revealed in the audit examination carried out on 02 January 2015 that only two gates to the value of Rs. 28,000 had been fixed although a sum of Rs. 56,000 had been paid to fix four gates to the two entrance of the market.

5. Human Resource Management

Details regarding the approved cadre and actual cadre as at 31 December 2014 are given below.

As at 31.12.2014

Category of Staff	Approved Cadre	Actual Cadre	Vacancy	Excess
Executives	01	01	-	-
Subordinates	27	23	04	-
Minor Employees	61	45	16	-
Others	-	70	-	70

A post for Management Assistant sixteen posts for Minor Employees remain vacant for the past 05 years.

6 Accountability and Good Governance

6.1 Budgetary Control

It was observed that the Budget had not been made use of as an effective instrument of management control as variances ranging from 39% to 93% were observed between the budgeted expenditure and actual expenditure

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Systems and Controls

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

- (a) Accounting
- (b) Control of Fixed Assets
- (c) Recovery of Advances
- (d) Revenue Collection
- (e) Contract Administration