

**VERUGAL 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 28 July 2015 and the Financial Statements for the previous year had been furnished to audit on 28 May 2014. The Report of the Auditor General for the year under review had been furnished to the Secretary of the Sabah on 12 November 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 Verugal 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 Compliance with SriLanka Public Sector Accounting Standards**

Although the Cash Flow Statement and the Statement on Changes in Equity had to be furnished to audit together with the Financial Statements according to Srilanka Public Sector Accounting Standard No.02, these Statements had not been furnished.

**1.3.2. Accounting Policies**

The accounting policies adopted to prepare the Financial Statements had not been disclosed in the Financial Statements according to Srilanka Public Sector Accounting Standard No.03.

**1.3.3. Accounting Deficiencies**

- (a) Expenditure aggregating Rs.142,275 incurred on repairs to the photocopier and computer and to purchase paints had been shown as capital expenditure in the Financial Statements.
- (b) Although a sum of Rs. 198,475 had to be paid to a private company on account of purchase of composed fertilizer containers, the amount payable had been shown in the Financial Statements as Rs. 498,475 thus overstating the amount payable by Rs. 300,000.

**1.3.4 Accounts Receivable and Payable**

The following observations were made.

- (a) Four Sundry Creditors balances aggregating Rs. 47,954 remains outstanding for seven years without being settled.
- (b) Action had not been taken until 9 September 2015 to recover a sum of Rs. 121,000 for hiring out the Road Roller for the years 2012 and 2013.

- (c) A sum of Rs. 2,818,827 recoverable from Debtors from the year 2009 is being continuously shown in the Financial Statements without action being taken to recover.

### 1.3.5 Lack of Evidence for Audit

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

Item	Value Rs.	Evidence not furnished
Lands and Buildings	33,684,089	} Register of Fixed Assets
Motor Vehicles and Carts	7,425,137	
General Stores Stock	22,500	Report of the Board of Survey
Revenue Debtors	2,949,852	Confirmation letter
Creditors	1,852,014	Creditors Ledger

### 1.3.6 Non -compliance with Laws, Rules, Regulations etc;

Instances of non-compliance with Laws, Rules, Regulations etc are given below.

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

#### **Non-compliance**

(a) Provincial Financial Rules (PFR)

(i) P.F.R. 237

Although ten cheques to the value aggregating Rs.28,171 which were issued by the Sabah before four years had not been presented to bank for payment, action had not been taken in this regard.

(ii) P.F.R 432.1

Although a sum of Rs. 272,820 had been spent for the repair of seven vehicles during the year 2014 it had not been noted in the Vehicle Log Book.

## 2 Financial and Operating Review

### 2.1 Financial Results

According to the Financial Statements presented, the excess of recurrent expenditure over revenue for the year ended 31 December 2014 amounted to Rs. 792,361. as against the excess of revenue over recurrent expenditure amounting to Rs. 2,518,976 for the previous year indicating a deterioration of Rs. 1,726,615 in the financial results.

### 2.2 Estimated Revenue , Actual Revenue and the Revenue in Arrears

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

<b>Item of Revenue</b>	<b>Estimated Revenue</b>	<b>Actual Revenue</b>	<b>Cumulative Arrears as at 31.12.2014</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
Rates and Taxes	332,050	295,775	36,275
Rental	730,800	431,420	299,380
Licences Fee	10,803,000	52,690	1,027,610
Other Revenue	460,700	1,097,108	-
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	<u>12,326,550</u>	<u>1,876,993</u>	<u>1,363,265</u>

### **3. Operating Review.**

#### **3.1 Management Inefficiency**

Following observations were made.

- (a) A sum of Rs.594,724 payable to the employees of the Sabah and other institutions had been shown in the Advances Payable Account for a period 2008 to 2013 without being settled.
- (b) Action had not been taken to recover 87 library books lent to the readers from the month of June 2013 to December 2014. The accurate details of the readers who had failed to return the books could not be obtained as the membership forms furnished by 42 members were not properly filled.

#### **3.2 Revenue Management**

Stamp Duty recoverable amounting to Rs. 26,250 for the year under review had not been recovered even as at the date of audit of 09 September 2015.

#### **3.3 Contract Administration**

- (a) Construction of Children's park

An agreement had been signed by the Verugal Pradeshiya Sabah on 16 January 2013 for Rs.7,072,527 for the construction of a children park under Thayata Kirulla Programme held during the year 2013. The following observations are made in this regard.

- (i) Although the construction work had to be completed before 01 March 2013 the construction work had not been completed even as at the date of audit of 09 September 2015
- (ii) Although main gate had not been fixed and equipment for the park had not been supplied by the contractor, a sum of Rs. 1,951,338 had been paid to the contractor certifying that these work had been satisfactorily completed.

### 3.4 Unutilised Assets of the Sabah

Following observations were made.

- (a) Two four wheel tractors and a two wheel tractors to the value of Rs. 500,000 belonging to the Sabah had remained without being repaired and utilized for five years.
- (b) A shopping complex containing 07 stalls to the value of Rs. 2,272,800 belonging to the Sabah had been idling from 2011 till the date of audit of 09 September 2015 without action being taken to rent out.

### 3.5 Human Resource Management

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

<b>Category of Staff</b>	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>No. of Vacancies</b>	<b>No. of Excesses</b>
Executives	01	-	01	-
Subordinates	15	12	03	-
Minor Employees	30	13	17	-
Others	-	33	-	33

Following observations were made in this regard.

Action had not been taken to fill the vacancies although Vacancy for a post in Supra Grade I and three vacancies in the posts Management Assistants remained unfilled for the past 05 years.

### 4. 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) Procurement Procedure
- (f) Contract Administration