

Kuchcavely Pradeshiya Sabha

Trincomalee District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2015 had been presented to audit on 13 May 2016 and the financial statements for the preceding year had been presented on 15 September 2015. The report of the Auditor General for the year 2015 was issued to the Secretary of the Sabha on 23 November 2016.

1.2 Qualified Opinion

I am of opinion, except for the effects of matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of Kuchchavely Pradeshiya Sabha as at 31 December 2015 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 Policies

There had not been revealed with accounts which followed accounting policies to prepare the financial statement of the Sabha.

1.3.2 Accounting Deficiencies.

The children park constructed and completed by the Sabha during the year under review amounted Rs. 4,504,116. However, it had been shown in the financial statements as Rs. 6,245,000, thus value of the non-current assets had been overstated by Rs. 1,740,884.

1.3.3 Payables Accounts.

The following matters are observed.

- (a) Advance aggregating Rs. 7,591 had been shown in the financial statement continuously since 2005 without action to settle them.
- (b) The salaries amounting of Rs. 457,193 payable to 08 employees worked at the Sabha from 1996 to 2014 had been shown in the financial statement continuously without being taken action to settle them.

1.3.4 Lack of Evidence for Audit

The evidence indicated against the following items shown the financial statements had not been furnished to audit.

Items	Amount	Not submitted evidence
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	Rs.	
Unpaid salaries and wages	299,018	Details schedule
Deposit on revenue	156,649	Deposit register

1.3.5 Non- compliance with Laws, Rules and Regulations

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

Reference to Laws, Rules and Regulations	Audit observations
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(a) Rule 5 (12) of Chapter I of the Pradeshiya Sabha Act of 1988	Although the cash, store and signing of cheques had been administratively entrusted to 03 officers, the security deposit had not been obtained from them.
(b) Financial Regulation of the Province No. 237	No action had been taken by the Sabha with regard to 48 cheques valued Rs. 1,033,492 not submitted for payment, whereas 06 months had been elapsed since issuing.
(c) Section 203 of Motor Traffic Laws	Revenue license had not been obtained for 05 vehicles used by the Sabha.

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 2015 amounted to Rs. 34,820,840 as compared with the corresponding the excess of revenue over recurrent expenditure amounting Rs. 16,197,286 for the preceding year.

2.2 Revenue Management

2.2.1 Revenue Collections Performance

Information on the estimated revenue, actual revenue and the arrears of revenue in respect of the year under review as presented is given below.

Item of Revenue -----	Estimated Revenue -----	Actual Revenue -----	Cumulated Arrears as at 31 December 2015 -----
	Rs. 000	Rs. 000	Rs. 000
Rates and Taxes	22,000	2,686	19,315
Lease Rent	6,720	3,195	3,525
Licence Fees	223	127	96
Other Revenue	1,875	1,302	573

2.2.2 Revenue Administration

The following observations are made,

- (a) Action on aggregating of Rs. 2,966,529 outstanding of meat stall from the year 2005 to 2015 had not been taken to recover until end of the year under review.
- (b) The arrears of vehicle rent, bank interest and capital interest etc, aggregating of Rs. 1,042,614 from the year 2010 had not been taken action to recover end of the year under review.
- (c) According to the Section 149 of the Pradeshiya Sabha Ordinance No. 15 of 1987, levies should be collected from hotel functioning with in the area of authority of the Sabha one per cent based on the total income of the those hotels. However, the following observations are made relating 09 hotels functioning with in the area of authority of the Sabha.
 - (i) Above rent had recovered based net revenue at Pigeon Inland View Gest House in years 2012 and 2013, instead total revenue. As a result, Sabha had been lost revenue amounting Rs. 65,429 approximately.
 - (ii) Action had not been taken up to now to recover licence fees from 4 guest houses for 4 years and 2 guest houses for 2 years.

2.2.3 Rates and Taxes

The assessment tax in value on lands, constructed house and building at Nilavelly and Kuchchavelly within area of the Sabha as per section 134 Pradeshiya Sabha Act No. 15 of 1987 had not been taken action to asses by Department of Valuation by the Sabha.

3. Operating Review

3.1 Management Inefficiencies

The following observations are made.

- (a) Although Sabha is using for more than five years the 05 vehicles which were donated by other Institutions, action had not been taken to transfer the ownership of that vehicles.
- (b) A time recording machine had not been installed in order to record the attendance of employees of the Sabha as required by the Circular No.09/2009 of 16 April 2009 of the Ministry of Public Administration.
- (c) Sum of Rs. 2,354,448 paid behalf of Ministry of Resettlement to people remained in Pulmoddai refugee camp in the year 2009 had not been reimbursed from them yet.
- (d) Recover on 06 unrealized cheques aggregating Rs. 16,690 deposited in bank in 2006, action had not been taken from respective person.
- (e) According to the Section No. 571 of Provincial Financial Regulation, action had not been taken on sundry deposit amounting of Rs. 12,423,015 remained period from 02 to 27 years.
- (f) Action on loan balances amounting to Rs. 8,500 receivable from 05 employees who vacated from the post before 32 years had not been taken to recover either write off.
- (g) Action on amounts Rs. 273,545 of 10 officer's outstanding loan had not been taken by Sabha to recover from officer or their surety upto the date.
- (h) Advance amounting Rs. 1,493,294 obtained former secretary of Sabha in 2015 had not been settled up to the date.
- (i) Although vehicle used by council Pickup in 2015 fully damaged in the accident met, action had not been taken to recover compensation on from the Insurance Company.
- (j) Action had not been taken to recover upto now the advance of Rs. 1,000,000 paid to 08 community center for water supply programme in 2013
- (k) Advance amounting Rs. 3,744,138 paid to officers of the Sabha and other institutions period from 2002 to 2015 had not been recovered yet.
- (l) Although, Board of Survey carried out in 2015 had observed the shortage of 599 books in 08 libraries, action had not been taken in this connection.
- (m) According to paragraph 2(a) of circular No EST/UNIFO/06/0302/6 dated 22 April 2013 of Ministry of Public Administration and Home Affairs, it indicated that the drivers and miner employees had entailed to uniform allowance amount Rs. 4,000 in 01 January 2013 as to be given money. Country that circular, the Sabha had paid to uniforms sum of Rs. 150,150.

According to the written information to the audit, although the Sabha had been provided the uniforms, those could not use by them. Therefore, it was fruitless expenditure.

3.2. Contentious Nature Transactions

Although indicated that the Assistant Commissioner of Local Government had travelled by vehicle between office and sub office within authorized area of the Sabha in dates of 05 February 2015, and 23, 24, and 25 March 2015 had signed in vehicle running charts. However, sum of Rs. 43,100 as travelling claim and combined allowance was received that he has gone to Colombo for official trip such in dates

4. Human Resources Management

The information relating to the approved cadre and actual cadre as at 31 December 2015 are given below.

Category of employee	Approved cadre	Actual cadre	No. of vacancies	Excess
Executives Grade	01	01	-	-
Subordinates	27	19	08	-
Minor staff	44	72	-	28
	72	92	08	28

The 08 posts for management assistant had remained as vacant for more than 05 years and action had not been taken to fill these posts.

5. Systems and Controls

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

Items	Evidence not made available for audit
(a) Accounting	(i) Ledgers should be updated (ii) Assets category based expenditure
(b) Fixed assets control	(i) Fixed assets register (ii) Inventory register had not been maintained properly.
(c) Revenue collection management	Action should be taken to recover arrears of revenue