

Town and Gravets 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 02 May 2016 and the financial statements for the preceding year had been presented on 18 May 2015. The report of the Auditor General for the year 2015 was issued to the Chairman of the Sabha on 12 August 2016.

1.2 Qualified Opinion

I am of opinion, expect 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 Town and Gravets 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 following accounting deficiencies were observed.

- (a) Although the two bank accounts balance as per Cash book as at 31 December 2015 had been Rs. 231,859 and Rs. 442,909 respectively, the balance as per to the financial statements had been Rs. 203,351 and Rs. 771,166 respectively, thus bank balances had been overstated by Rs. 299,749.
- (b) According to the Staff loan Register , the Staff Loan balance had been Rs. 6,993,565 and according to the financial Statement, the balance had been Rs. 8,840,089 thus the staff loan balance had been overstated by Rs. 1846,524.

1.3.3 Accounts. Payable

Although salaries amounting to Rs. 214,927 payable 07 officers period from the year 2005 to the year 2007 had been shown in the financial Statements continuously, it had not been settled.

1.3.4 Lack of Evidence for Audit

Age analysis of receivable rates amounting of Rs. 14,394,400 had not been furnished to audit.

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 | Non- compliance |
|--|---|
| ----- | ----- |
| (a) Financial Regulation of Democratic Socialist Republic of Sri Lanka | |
| (i) Section 880 | Although cash, and Stores had been administratively entrusted to four officers, Security had not been obtained from them. |
| (ii) Section 571 | Action had not been taken to recover the lapsed deposits amounting to Rs. 335,750 remaining for over two years as per register. |
| (b) Pradeshiya Sabah (Financial and Administrative) Rules of 1988 Rule 193 of Chapter X | A Statement including the reasons for the variance after comparing the actual revenue and expenses with the budget for the year under review had not been prepared and rendered to audit. |

1.3.6 Un authorized Transactions

The following observations are made.

- (a) According to the circular No. 03/2014 dated 30 December 2014 of Ministry of Finance and Planning, the officer using international call facility should be getting the approval from the Secretary of the Ministry. However, that country, the Shaba had been paid for international call amounts Rs. 9,902 without approval from the Secretary
- (b) According to paragraph 2 of above circular, the residential telephone facility of Secretary of the Shaba could be paid the amount Rs. 2,000 with him salary. Therefore, for the residential telephone facility of Secretary of the Shaba could be paid maximum amounts Rs. 24,000 only. However, sum of Rs. 40,886 had been paid by the Shaba to him in 2015, thus sum of Rs. 16,886 had been paid as additional amounts

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Shaba for the year ended 31 December 2015 amounted to Rs. 36,061,611 as compared with the corresponding the excess of revenue over recurrent expenditure amounting Rs. 9,402,844 for the preceding year.

2.2 Revenue Administration

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 by the Sabha 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 | 17,033 | 23,714 | 14,394 |
| Lease Rent | 14,900 | 1,566 | 87 |
| Licence Fees | 9,582 | 1,617 | 130 |
| Other Revenue | 2,522 | 2,441 | 629 |

2.2.2 Rates and Taxes

Rates aggregating Rs. 14,394,400 which were outstanding, according to Section 134 of the Pradeshiya Sabha Ordinance No.15 of 1987, on lands, constructed houses and buildings within the authority limit of the Sabha from 2008 to 2015 action had not been taken to recover.

2.2.3 Telecommunication Towers Fees

The Sabah had lost approximately Rs. 279,000 from the year 2007 to 2015 by not collecting charges for 08 telecommunication towers erected within the area of the Sabah by private telecommunication organizations

2.2.4 Court Fines

The Court fines amounting to Rs. 5,094,500 receivable under several ordinances as at 31 December 2015 action had not been taken to recover from the Chief Secretary.

3. Operating Review

3.1 Management Inefficiencies

The following matters were observed

- Although Council is using for more than nine years the 08 vehicles which were donated by other Institutions, action had not been taken to transfer the ownership of that vehicles.

- (b) 3,196 Library books borrowed before 2005 had not been recovered from public upto now.
- (c) Loan balances amounting to Rs. 82,318 receivable from 04 employees had been continuously shown in the financial statements without action being taken to recover either from them or from their sureties.
- (d) Although the Sabah should be recovered as assessment tax amounting Rs. 6,464,150 from Tokkyo Cement Company for the year 2015, sum of Rs. 2,025,000 only had been recovered from them.
- (e) According to the Section 149 of the Pradeshiya Sabha Ordinance No. 15 of 1987, levies should be collected from circuit bungalow functioning with in the area of authority of the Sabha 1 per cent based on the total income of the those hotels. However, out of 03 circuit bungalows within the area of the Sabha levies from 02 circuit bungalows had not been recovered by the Sabha.
- (f) Although advance amounting of Rs. 2,131,856 issued to 42 other Institution during period from 1999 to 2014 had been settled, that amount had been shown continued in the financial statements.

3.2 Uneconomic Transactions

According to the Section 4.1 of circular No 02/2011 dated 24 February 2011 of the Department of Pension, contribution money for Employees' Trust fund should be paid before end of the day of particular month. As it had not been paid to the employees who had worked in the Council from May to September 2014, sum of Rs. 17,079 was paid as fine by the Sabha.

4 Idle Assets

4.1 Construction of Market Building

The construction of marketing building costing Rs. 23,515,530 under Pura nuguma Project had been completed and handed over on 26 September 2012. However, this market building had remained idle without intended purpose.

5. Human Resources Management

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

| Category of employee | Approved cadre | Actual cadre | as at 31December 2015 | |
|-----------------------------|-----------------------|---------------------|------------------------------|---------------|
| | | | No. of vacancies | Excess |
| Executives Grade | 05 | 05 | - | - |
| Subordinates | 27 | 23 | 04 | - |
| Minor staff | 61 | 84 | - | 23 |
| Others | - | 26 | - | 26 |

The posts of 04 management assistant had remained vacant for more than 05 years and action had not been taken to fill these posts.

6. Systems and Controls

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

- (a) Accounting
- (b) Contract Administration
- (c) Utilization of Vehicles
- (d) Revenue Collection