

Verugal 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 11 July 2016 and the financial statements for the preceding year had been presented on 28 July 2015. The report of the Auditor General for the year 2015 was issued to the Secretary of the Sabha on 08 December 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 Verugal 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 made.

- (a) According to the ledger, advance balance as at 31 December 2015 amounted Rs. 850,519. However, it had been shown in Balance Sheet for the year then ended as Rs. 1,296,689, thus, paid advance had been overstated by Rs. 446,170.
- (b) Goods such vehicle's battery, tube, tyer etc., amounting of Rs. 178,870 purchased during the year under review had been included plant account treated as capital expenditure. As a result, that balance had been overstated by same amounts.
- (c) Goods such nails, electric bulb, scissors and PVC pipe etc., amounting of Rs 198,099 purchased during the year under review had been included equipment account treated as capital expenditure. As a result, that balance had been overstated by same amounts.
- (d) According to the ledger, stall rent as at 31 December 2015 amounted Rs. 254,820. However, it had been shown in financial statements for the year then ended as Rs.62,150, thus, paid advance had been understated by Rs. 192,670.

1.3.3 Receivables and payables Accounts.

Four sundry Creditors balance aggregating Rs. 47,495 had been shown in the financial statement last 08 years without action to settled 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 Rs.	Not submitted evidence
Project debtor	1,908,759	Register of the debtor
Creditor	1,481,683	Register of the creditor
Other Investment	233,820	Details schedule

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
(a) Pradeshiya Sabha(financial and Administrative)Rules of 1988	
(i) Rule 5 (12) of Chapter I	Although the administration handed over to 03 officers signing authority for money, store items and cheques, the security deposit had not been obtained from them.
(ii) Rule 193 of Chapter X	The statement including details related actual revenue and expenditure budget to the year compared with variations had not been prepared and submitted to the audit.
(b) Financial Regulation of the Democratic Socialist Republic of Sri Lanka- Section - 571	Action on amounting of Rs. 277,265 relating tender deposit, retention money and sundry deposits during the period from 2006 to 2012 had not been taken by the Sabha.
(c) Provincial Financial Regulations Nos. 432.2, 432.3	Register relating 03 vehicle used by the Sabha had not been maintained by the Sabha.
(d) Circulars of the Ministry of Finance No. 04/2015	It was indicated that the Council should be obtained for insurance policies to direct and not through agents. However insurance covers had been obtained by the Sabha for two motor vehicles to amount of Rs. 82,467 through an Insurance Agent.

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. 2,731,376 as against the excess of recurrent expenditure over revenue amounting Rs. 792,361 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 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	837	293	865
Lease Rent	111	176	-
License Fees	393	554	-

2.2.2 Stamp Duty

Action on the Stamp fees from 2013 to end of the year under review had not been taken to calculate and recover.

2.2.3 Rates and Taxes

Action to assess by Department of Valuation the assessment tax on land, constructed house and building within area of the Sabha as per Section 134 of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken by the Council.

3. Operating Review

3.1 Management Inefficiencies

The following observations are made.

- Although Council is using for more than 05 years the 06 vehicles which were donated by other Institutions, action had not been taken to transfer the ownership of that vehicles.
- According to circular No. 09/2009 dated 16 April 2009 of Ministry of Public Administration, time recording machine should be fixed in all Government Institutions, However, the council had not fixed the machine yet.

- (c) According to the Section No. 163.3 of Provincial Financial Regulation, action had not been taken to recover the advance amounting of Rs. 1,296,689 paid to employee and other Institutions for the period from 2008 to 2015.
- (d) Action had not been taken relating 262 library books indicated of board of survey report for the year 2015.

3.2 Idle Assets

Shopping complex consisting 07 rooms valued at Rs. 2,272,800 belonging to the council had remained idle period ranging from 2011 to end of the year under review.

4 Human Resources Management

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

Category of employee	Approved cadre	Actual cadre	No. of vacancies
Executives Grade	01	01	-
Surbodinates	15	12	03
Minor staff	30	13	17
	46	26	20

Although the 03 posts of management assistant had remained vacant, for 06 years, action had not been taken to fill those 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 had not been maintained (ii) The store register had not been maintained properly.
(c) Revenue collection management	Action should be taken to recover arrears of revenue