

**Town and Gravets Pradeshiya Sabha
Trincomalee District**

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2018 had been submitted to audit on 13 March 2019 and the summarized Auditor General's Report, Management Report relating to the year under review were sent to the Chairman on 29 May 2019 and 31 May 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph of basis for qualified opinion, financial statements give a true and fair view of the financial position of the Town and Gravets Pradeshiya Sabha as at 31 December 2018 and its financial performance and the cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

1.3.1 Accounting Deficiencies

Accounting Deficiencies	Recommendation	Comments of the Accounting Officer
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(i) According to the cash book of the 04 bank accounts, the total amount of bank balances was Rs. 26,132,554 as at 31 December 2018. Due to showing the total of the bank balances in the financial statement as Rs. 26,988,085, the bank balance was overstated from Rs. 855,531. The Sabha had not taken action to identify and adjust this value.	The reasons for the changes should be identified, the balance of accounts should be adjusted in the next year's financial statements and more attention should be given to the two existing bank accounts.	The balances of public and donation accounts of our Sabha, the balance in the balance sheet and the actual balance have been different from the same amount over the last 10 years. The reason for the increase in bank balances is that they did not correct the error of the previous financial year..
(ii) According to the staff loan register, the staff loan balance was Rs.15,719,724. As per the financial statement this staff loan was Rs.17,634,837. Accordingly, staff loan was overstated by Rs.1,915,113.	Should pay more attention to this matter and inform us.	Employee loan balance has been continuously changed due to an error in the employee's loan register. However, as per the Audit queries, and the Audit and Management Committee provisions we have made

some shortcomings and are in the process of adjusting other issues.

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| (iii) | Miscellaneous expenses which should be shown in the income and expenditure accounts of the year under review were classified as capital expenditures and disclosed in the financial statements | Action should be taken to adjust the classified items which were in a erroneous manner and It should be classified in the correct way in the coming years. | Miscellaneous expenses attributable to income and expenditure for the year under review were erroneously stated as capital expenditures. It has been corrected and added. |
| (iv) | According to the deposit ledger the miscellaneous deposits was Rs..19,911,832, but it was shown in the financial statements as Rs.20,026,009. Accordingly, miscellaneous deposits was overstated by Rs.114,177. | The changes you have identified should be corrected in the annual report. | A sum of Rs.15,097.84 had been overstated due to errors in various deposit balances in the past years. Another Rs. 99,078.70 of the various deposit balances have now been adjusted and added to. |

1.3.2 Documentary Evidences not made available for Audit

Account Item	Amount	Evidences not presented	Recommendation	Comments of the Accounting Officer
Rates and Taxes	Rs. 12,454,562	Age analysis	Action should be taken to submit the age analysis.	Activities of age analysis are in process. It will be submitted as soon as possible.

1.4 Non-Compliances

Non-compliances with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, Regulations and Management Decisions	Non-Compliances	Recommendation	Comments of the Accounting Officer
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
Financial Regulation 571	Miscellaneous Tender and Contract Deposits of Rs. 12,498,998 more than 3 to 5 years have not been paid back or settled or transferred to Revenue as per the financial regulations.	Should act in accordance with financial regulations.	Miscellaneous and Tender Deposits of Rs.1,630,566.29 which were prior to the year 2012 had been transferred to the Revenue Account under the Voucher No. XE 40715 of Decision No. 6 (e) at the monthly meeting held on 10.07.2018. Other deposits are also in the process of being transferred.
(b) Section 193 of Chapter X of the Pradeshiya Sabha (Financial and Administrative) Rules 1988	Actual Revenue and Expenditure Details for the year under review were not compared to the budget plan and a statement containing explanations for the variation was not submitted to the audit.	Compare actual income and expenses and submit reports to audit.	I kindly inform you, that the relevant officials have been instructed to prepare this statement and submit it soon.

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the revenue over recurrent expenditure e for the year ended 31 December 2018 amounted to Rs. 47,913,097 when compared with the revenue over recurrent expenditure of the preceding year amounted to Rs. 22,272,975.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Arrears Revenue

Information of estimated revenue, billed revenue, collected revenue and arrears of revenue relating to the year under review and previous year are shown below.

Revenue Source	2018				2017			
	Estimated Revenue	Billed Revenue	Recovered Revenue	Arrears as at 31 December	Estimated Revenue	Billed Revenue	Recovered Revenue	Arrears as at 31 December
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Rates and Taxes	26,420	24,855	23,341	821	26,404	22,479	26,058	12,454
License Fee	4,523	2,153	2,361	208	4,028	6,351	2,271	99

License fee revenues were Rs. 6,351,000 in the last year, but it was Rs. 2,153,000 in the year under review. Further, the value of arrears of license fees to be recovered in the year under review was increased by Rs. 109,000 compared to the previous year. This illustrates the slowdown in recovering of licensing fees.

3. Operational Review

3.1 Performance

Following observations are made.

(a) The ratio of underweight babies born

Audit Observation	Recommendation	Comments of the Accounting Officer
The ratio of underweight babies born within the Sabha area was 9.47%, 12.1%, 14.7% and 11.3% in 2015, 2016, 2017 and 2018, respectively. From 2015 to 2019, the budget estimates did not provide any kind of expenditure for maternal and child welfare and child care. Because of this, the Sabha did not care for the	Provision should be made from budgetary allocation for maternal and child welfare and child care.	We agree that for the past 10 years, our welfare services programs have not provided for underweight infant birth ratio operations. Nevertheless, the Office of the MOH is working on child care, reducing the low weight birth rate of infants in 2019 and I will inform you

maternal and child welfare.

that our budget estimates for the year 2020 will provide for this.

(b) Sustainable Development Goals

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
In terms of the Sustainable Development Act No. 19 of 2017, its objectives and targets have not been identified by the Council. Furthermore, there is insufficient awareness of the sustainable development that should be achieved by 2030.	Develop and implement programs for sustainable development.	I would like to inform you that the Commissioner of Local Government and the Regional Commissioner of Local Government has held a workshop on the matter on 18.09.2018 with the Chairmen, Secretaries and Officers of Local Government. Actions have been taken to act according to this awareness. I inform you that the Members of the Sabha and the Officers to be educated through training on the Sustainable Development Goals.

3.2 Management Inefficiencies

Following observations are made.

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
It was revealed in the board of survey of 2018, that the Sambalathivu and Uppaveli libraries maintained by the Sabha had lost 1902 and 636 books, respectively, but action had not been taken on that.	You must notify us of your activities.	The number of librarians approved for the 04 libraries in our council is 04. Even so, only two librarians are on duty. I inform you that these two librarians are currently working on the disappearance of 2,538 books in the public libraries of Uppuveli and Sambalathivu.

3.3 Human Resource Management

Following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Although there are weight lifting machines in the Sabha, they still need the human resources to operate; No action has been taken to fill these vacancies.	Further action should be taken to fill the Human Resources vacancies.	Letters have been sent to fill the Human Resource vacancies required to operate the weightlifting machines and at present, action is being taken to operate the weightlifting machine by a weightlifting machine driver on the acting basis.
(b) Although the numbers of vacancies for Management Assistants were 02 in the year under review, necessary action had not been taken.	Further action should be taken to fill the Human Resources vacancies	We have sent letter No. TG/PS/EST/New Cadre/2017 dated 30.05.2018 to fill the vacancies of Management Assistant. (A copy of the letter attached herewith) Also, the letter No. TG/PS/EST/Cadre/2018 dated 14.01.2019 has been sent to recruit new employees. Accordingly, the Assistant Chief Secretary has sent to the Department of Management Services.
(c) The post of Health Supervisor had been vacant but no necessary measures had been taken to fill these.	Further action should be taken to fill the Human Resources vacancies	We have sent letter No. TG/PS/EST/New Cadre/2017 dated 30.05.2018 to fill the vacancies of Health Supervisor. (A copy of the letter attached herewith) Also, the letter No. TG/PS/EST/Cadre/2018 dated 14.01.2019 has been sent to recruit new employees. Accordingly, the Assistant Chief Secretary has sent letters to the Department of Management Services.

3.4 Assets Management

3.4.1 Documenting of Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
Eight vehicles, donated by other institutions, have been in use for over 12 years, action had not been taken by the end of the year under review to take transfer them to the Sabha.	Further action should be taken in consultation with relevant authorities regarding this matter.	Eighteen vehicles donated by other institutions to our Sabha had been recorded on our assets register. Out of them, 10 vehicle register books have been taken over in the name of our Sabha. According to the requests for transfer of registration books for these vehicles to our name by letter TC/TGPS/WD/V.Co dated 03.08.2017 for the purpose of taking over the name of the other 08 vehicles in the name of the Sabha, the registration of all vehicles used by the administrative offices of the Eastern Provincial Council was not changed to the name of the Sabha as it was stated that the name should be in the name of "Chief Secretary - Eastern Provincial Council" by letter EP/01/1/VH/005 dated 14.08.2017 and letter EP/01/01/VH/005 dated 07.06.2017 of the Chief Secretary.

3.4.2 Idled Assets

Following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Three stalls from the shop complex with 16 shops constructed in the year 2014 under the financial provisions of the "Pura Neguma" project have not been provided for renting since 2014.	The Sabha should take action to utilize the shop complex fully.	Bids were called for 16 stalls, but 11 stalls have already been rented. The other three stalls were not used, as no one requested. Therefore, I will inform you that all shops will be used in future.

(b) Under the provisions of the Sabha, the Sambal Theevu Cultural Center was renovated on 31 August 2015 at a cost of Rs.900,305. However, due to the lack of water and electricity facilities for the building, the building remained idle by 21 May 2019, without being used for the purpose..

You must inform us of your further action.

Since the Sambhalthivu Cultural Center built under the provisions of the Sabha was not requested to be hired by outsiders and the roof of the Sambaltiduwa Library is broken and rain water leaks on rainy days, the Cultural Center is being converted into a library. I would like to inform you that the cultural center will be used as a library for another month.

3.5 Procurement

3.5.1 Procurement Plan

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
<p>(a) Multi-Purpose Construction Contract was awarded on 14 June 2017 at a value of Rs.5,464,591 under the Provision of Sabha. provision. In this regard the following observations are made in the audit.</p>		
<p>(i) As a difference of 17.79 per cent appeared between the contract value of Rs. 5,464,591 and the valuation value of the Sabha of Rs. 6,647,822, The Technical Evaluation Committee stated that when obtaining the performance guarantee, 10% or Rs.546,459 from the contract value must be charged. Nevertheless, the Sabha had only collected Rs.273,230. As a result of the non-recoveries of the remaining 5% or Rs.273,230 according to the recommendation of the Technical Evaluation Committee, Sabha had lost that amount.</p>	<p>When awarding contracts, the documents must be prepared in such a way that no errors occur, and the charges must be made correctly. In the event of a loss to the Sabha, it should be inspected and recovered from those responsible.</p>	<p>According to the Technical Evaluation Report, the Performance Guarantee for the above industry is 10% of the contract value. Nevertheless, that the 5% performance guarantee was to be obtained as per the contract documents, Performance guarantee of 5% of the contract value had been obtained defectively. To compensate for this, the contractor has already been informed to deposit an additional 5% of the outstanding payments and to deposit them in the accounts of the Sabha. However, since the decision to terminate the contract has been made, the remaining outstanding payments have been deposited in full. Therefore, I would like to inform</p>

you that the remaining payments have been made without depositing the remaining 5% performance guarantee, which is decided to be deducted from the payment. Therefore, the Sabha had not incurred any loss.

- (ii) The work shall be completed by the Contractor on 28 November 2017 and be handed over to the Sabha. However, 50 per cent work such as tile laying, bathroom work and water connection amounted to Rs.3,018,276 had not been completed. as at the audit date of 21 May 2019, The Sabha did not take further action in this regard.

Further work should be done as per the contract agreement.

As the above work has not been completed within the relevant period, the contract is suspended with the approval of the Sabha and follow up work is underway.. At a meeting held at the office of the Commissioner of Local Government at around 10.30 am on 17.05.2019, the contractor agreed that the work would commence within a week and would be completed within a month. Accordingly, all had agreed to complete the work by this contractor.

(b) Construction of indoor playground

An agreement to construct an indoor playground with provincial specific development assistance was awarded on 06 November 2017 for a value of Rs.3,862,000. The following observations are made in this regard.

- (i) Work valued at Rs.517,482 had to be done more than the estimated cost due to the modification of the building had been done without completing the work as per the estimate. This work has not received ESR approval. Further, the building was not completed as planned and the building was not usable due to the modification made.

When awarding contracts, these matters should be satisfactorily examined and contracted, and buildings should be constructed as per the plan that they can be used within the prescribed period. Therefore, the expenditure incurred will help to achieve the desired objectives.

These price percentage comparisons did not show any major price variations except Item No.24. This estimate, which was made in 2017, was quoted as Rs.57 in Item No.24. However, it was stated as Rs.114 in the price statement approved by the Commissioner of Local Government in the year 2017. Therefore, it was accepted by the Technical Evaluation Committee that the price mentioned by the Contractor is Rs.125.00 was satisfied with the approved price statement of the Commissioner of Local Government.

Local government price survey is annexed herewith.

- (ii) Work valued to Rs.427,775 had not been fully completed even by the audit date of 21 May 2019.

Rs. 427,775 worth of non-essential work had been removed to compensate for the above matter. Even so, the Phase 2 construction work is almost complete. An estimate report for the same has been sent to the Provincial Director, Sports Department, Eastern Province as per the request.