

Padavi Sri Pura Pradeshiya Sabha

Trincomalee District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Auditor General on 21 May 2014 while Financial Statements relating to the preceding year had been submitted on 08 May 2013. The Auditor General's Report relating to the year under review was issued to the Chairman of the Sabha on 23 February 2015.

1.2 Opinion

In my opinion except for the effects on the Financial Statements of the matters referred to in paragraph 1.3 of this report the Financial Statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Padavi Sri Pura Pradeshiya Sabha as at 31 December 2013 and the financial result of its operations for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Financial Statements had not been prepared in accordance with Public Sector Accounting Standards as stipulated in the Local Government and Provincial Councils Ministry Circular No. PL/05/BA/SLPS dated 27 January 2014.

1.3.2 Accounting Deficiencies

Value of Land and Buildings shown In the Financial Statements included the value of 06 buildings amounting to Rs. 49,846,200 and value of land relating to those 06 buildings had not been assessed and taken to accounts.

1.3.3 Accounts Receivable

Action had not been taken either to recover or write-off Market Stalls Rent totalling Rs. 226,309 due in respect of a period ranging from 2 years to 18 years.

1.3.4 Lack of Evidence for Audit

Following items of accounts could not be satisfactorily vouched or examined in audit, due to lack of evidence indicated against those items.

Item of Account	Value	Evidence not furnished
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	Rs.	
Land and Buildings	49,846,200	Detailed schedules, Fixed Assets Register and title deeds.
Sundry Deposits	600,863	Receipt age analysis and detailed schedules.

1.3.5 Non-compliance with Laws, Rules, Regulations etc.

Although it is required to test the fuel consumption of vehicles once in every 06 months in terms of Circular No. 41/90 dated 10 October 1990 of the Secretary to the Ministry of Local Government, Provincial Councils and Home Affairs, such action had not been taken with regard to 09 vehicles belong to the Sabha.

2. Financial and Operating Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over the recurrent expenditure of the Sabha for the year ended 31 December 2013 amounted to Rs.3,358,125, while the corresponding excess of revenue over the recurrent expenditure for the preceding year had been Rs.383,973. The improvement of the financial results in a sum of Rs.2,974,152 was mainly due to the increase of Rs.3,433,417 in the recovery of service Charges for the year under review over the preceding year.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

Information furnished by the Chairman relating to Estimated Revenue, Actual Revenue and arrears of Revenue are shown below.

	Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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		Rs.'000	Rs.' 000	Rs. '000
(ii)	Lease Rent	568	450	212
(iii)	Licence Fees	282	214	123
(iv)	Other Revenue	2,606	2,327	491

3. Operational Review

3.1 Operational Weaknesses

Improper Management of UPVC Pipes and Fittings received from the Eastern Province Water Supply Development Project

Contracts for fixing UPVC Pipes had been awarded through the above Project to the Sabah for laying pipes with community participation during the years 2012 and 2013. Following observations are made in this connection.

- (i.) A Stock Register had not been maintained containing information relating to quantity of pipes received by the Sabha and quantity of pipes issued from the Sabha.
- (ii.) Although laying of pipes was to be done with community participation, community societies had not come forward, due to financial difficulties and therefore the work had been performed by the Sabah. However, details relating to the pipes laid had not been maintained by the Sabha.
- (iii.) A large stock balance of pipes had been improperly stored in the stores at Padavi Sri Pura, Jayanthi Pura and Saman Pura. Due to that, it had not been possible to assess and account the value of balance stock of pipes as at 31 December 2013.

3.2 Management Inefficiencies

Implementation of Recommendations of the Board of Survey Report

Following observations are made in this connection.

- (i.) According to report of the Board of Survey conducted on 30 June 2014, it had been recommended to repair 10 categories of goods, and to remove 15 categories of goods. However, necessary action had not been taken for that up to 25 November 2014, date of audit.

- (ii.) According to report of the Board of Survey, necessary action had to be taken with regard to 48 books not produced, 25 items of goods misplaced and 108 items of good not taken to the Inventory. However, such necessary action had not been taken up to 25 November 2014, date of audit.

3.3 Contract Administration

(a.) Construction of Maternity and Child Clinic Centre in Old Medawachchi

Pradeshiya Sabha had signed an agreement to the value of Rs. 4,074,017 (without VAT) with the contractor for Construction of Maternity and Child Clinic Centre in Old Medawachchi Grama Niladari Division on 24 September 2013. Following observations are made in this connection.

- (i.) Although the construction works had to be completed by 23 December 2013 according to the contract agreement, building had been handed over to the Sabah on 01 July 2014 having completed the construction works. However, works relating to completion of the outer wall of the building, fixing the name board, obtaining electricity supply, and pressing and leveling of outer ground had not been completed even up to 25 November 2014, date of audit.

- (ii.) Providing a solution to the difficulties encountered with regard to women and child health matters of 250 families in the Grama Seva Division of Old Medawachchi being the main objective of the construction of the clinic centre had been delayed for more than a year.

(b.) Concreting Project of the Road from Saimon Kade to Mee Oya Anicut

Although the Pradeshiya Sabah had signed an agreement to the value of Rs.9,195,359 (without VAT) with the contract firm for concreting the above road on 20 June 2012, contract had been terminated due to weak performance and a fresh agreement had been signed with a new contractor to the value of Rs.9,754,042 on 29 April 2014. Following observations are made in this connection.

(i.) Although the construction works had to be completed by 28 August 2014 according to the agreement, making shoulder necks on the either sides of the roads as indicated in quantity sheets of the contract, completion of culvert works and removal of rejiform separating the concrete blocks had not been completed even up to 12 November 2014 date of audit.

(ii.) Although the construction period had ended as at 01 July 2014 according to the agreement entered into with the new contractor, action had not been taken to recover liquidated damage amounting to Rs. 658,398 from the payment made subsequent to that date.

(c.) Action in terms Part III of the Finance Act No. 03 of 2005 (subject to Finance Acts Amendments No. 13 of 2007 and No. 18 of 2009) had not been taken to retain and remit the Construction Industry Guarantee Fund Levy (CIGFL) amounting to Rs. 90,172 relating to the sum of Rs. 36,068,873 paid to the contractor for the construction of the Head Office Building of the Pradeshiya Sabha.

3.3 Budgetary Control

Actual and budgeted expenditure for the year under review indicated a variation between 15 per cent and 100 per cent. Accordingly, it was observed that the Budget had not been utilized as a tool for proper financial management.

3.5 Human Resource Management

Approved and Actual Cadre

Information relating to the approved and actual Cadre of the Sabah as at 31 December 2013 is shown below.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
Executive Level	01	-	01
Secondary Level	10	06	04
Tertiary Level	26	12	14
Total	37	18	19

Action had not been taken to fill the vacancies in the posts of Ayurvedic Medical Officer, Management Assistant, Technical Officer, Librarian and Electrician.

4. Systems and Controls

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

- (a.) Accounting
- (b.) Revenue Administration
- (c.) Fixed Assets Control
- (d.) Contract Administration
- (e.) Human Resources Control