

Seruvila 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 29 October 2014 while Financial Statements relating to the preceding year had been submitted on 24 April 2013. The Auditor General's Report relating to the year under review was issued to the Chairman of the Sabha on 24 March 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 Seruvila 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

Following accounting deficiencies were observed.

- (a.) The balance of Rs.1,748,149 as at 31 December 2013 according to the staff Loans Register had been taken as Rs.1,655,044 to the Financial Statements understating the staff loans in a sum of Rs.93,105.
- (b.) The Stall Rent Receivable balance of Rs.382,921 as at 31 December 2013 according to the Stall Rent Register, had been taken as Rs.246,645 to the Financial Statements understating the Stall Rent Receivable in a sum of Rs.136,276.

1.3.3 Accounts Receivable

Action had not been taken either to recover or to write-off Stalls Rent totalling Rs.246,645 due relating to a period ranging from 02 years to 03 years.

1.3.4 Lack of Evidence for Audit

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

Item of Account	Value	Evidence not furnished
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	Rs.	
Fixed Assets	44,517,158	Detailed schedules, Fixed Assets Register and Title Deeds
Accounts Payable	9,341,439	Confirmation letters, Age Analysis and Detailed Schedules

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

Following instances of non-compliance with Laws, Rules, Regulations and Management Decisions were observed in audit.

<u>Reference to Laws, Rules, Regulations etc.</u>	<u>Non-compliance</u>
(a.) Rule 59 of the Pradeshiya Sabah Rules (Financial and Administration) of 1988 Published in the Extra Ordinary Gazette Notification No. 554/5 dated 17 April 1989	- Survey of Business Entities in the area of authority of the Sabah had not been carried out
(b.) Circular No. 41/90 dated 10 October 1990 of the Secretary to the Ministry of Local Government, Provincial Councils and Home Affairs	- Although it is required to test the fuel consumption of vehicles once in every 06 months such action had not been taken with regard to 16 vehicles belong to the Sabha
(c.) Provincial Financial Rules No. 236	- Action had not been taken in terms of provisions with regard to 19 cheques for Rs.19,176 issued, but not presented for payment over 06 months
(d.) Financial Regulations of the Democratic Socialist Republic of Sri Lanka ----- F.R.570	- A Refundable Tender Deposit balance of Rs.117,966 which remained uncleared for more than two years had not been settled or taken to revenue.

2. Financial and Operating Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over the recurrent expenditure of the Sabah for the year ended 31 December 2013 amounted to Rs. 10,081,004, while the corresponding excess of revenue over the recurrent expenditure for the preceding year had been Rs.1,553,654. The improvement of the financial results in a sum of Rs.8,527,350 was mainly due to the increase of Rs.12,242,329 in the Warrant Charges and the Fines Receipts for the year under review when compared with 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
(i)	Rates and Taxes	30	13	-
(ii)	Lease Rent	2,205	1,898	247
(iii)	Licence Fees	269	421	-
(iv)	Other Revenue	15,796	12,824	-

3. Operational Review

3.1 Operational Weaknesses

Continuation of the Ayurvedic Medical Centre

Following observations are made in this regard.

- (a.) According to the statistics of the Ayurvedic Medical Centre, drugs had been issued to 1,711 patients during the year 2013, while it had been 1,186 patients during the first 05 months. Ayurvedic Medical Centre had been closed down with effect from June 2014 due to lack of an Ayurvedic Doctor. Due to that, It had not been possible to achieve the objective of the Pradeshiya Sabah in serving 14,741 Public Individuals in the area belong to the Pradeshiya Sabah for uplifting their health level.

- (b.) A stock of Ayurvedic Drugs valued at Rs. 112,260 and Medical and Office Equipment in the Ayurvedic Centre were lying idle, due to the closure of the Ayurvedic Medical Centre.

3.2 Management Inefficiencies

- (a.) Maintenance of the Inventory Book
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While the Inventory Book had not been maintained in the proper format and not updated, even as at 09 December 2014, date of audit, Inventory Book had not been balanced and signed by the members of Board Survey.

(b.) Preparation of Pradeshiya Sabah Forms.

Pradeshiya Sabah Forms for the months of November and December 2013 relating to Arrears of Revenue, Classification of Daily Income, Consolidated Summary of Monthly Receipts, Consolidated Summary of Monthly Expenditure and Consolidated Analysis of Monthly Expenditure had not been prepared.

(c.) Implementation of Recommendations of the Board of Survey Report.

According to report of the Board of Survey conducted on 28 January 2014, it had been recommended to repair 23 categories of goods, to remove 11 categories of goods and to destroy 14 categories of goods. However, necessary action had not been taken for that up to 25 November 2014, date of audit.

(d.) Purchase of Office Equipment

Office Equipment valued at Rs. 2,401,300 had been purchased during the year 2014 through financial provision for Puraneguma, without following a proper procedure for selection of suppliers through a Technical Evaluation Committee.

3.3 Contract Administration

Construction of a Building for the Office of the Pradeshiya Sabha

A contract agreement had been signed on 17 December 2012 to the value of Rs.27,709,341 (Without VAT) for Construction of a two storied Building for the Office of the Pradeshiya Sabha under the Puraneguma Project, on the basis that the construction should be finalized within 06 months. Following observations are made in this connection.

- (a.) Although this building had been ceremoniously commissioned to the public ownership on 12 March 2014, action had not been taken to obtain a Certificate of Conformity from the Engineer and take over the building by the Sabah up to 09 December 2014, date of audit.
- (b.) There had been a water leakage from the roof of the building and the Fiber Ceiling as well as the Wooden Ceiling of the Assembly Hall had been decayed. It was observed in audit field inspection that there was a large water leakage in 4 places of the ceiling and that action had not been taken to repair it.
- (c.) It was observed in field audit inspection that the doors and the windows of the Assembly Hall had not been constructed in accordance with the specifications of the Engineer's Estimate. However, a sum of Rs. 1,842,680 had been paid having certified that those had been constructed in conformity with specifications of the estimate. Details are shown below.

Item No. according to Quantity Sheet	Job Specification according to Engineering Specification	Job Completed	Amount paid
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m.2	Aluminum & glazed door with fanlight with sum thick glass	Aluminum & glazed door with lazed fixed windows	Rs. 50,490
M.8-M.11	Aluminum & glazed windows with fanlight with sum thick glass	Aluminum & glazed windows with lazed fixed windows	1,349,000
M.13-M.14	Aluminum & glazed with fanlight with sum thick glass	Aluminum & glazed windows with lazed fixed widows.	443,190
			----- 1,842,680 =====

- (d.) Although a sum of Rs. 630,000 had been allocated in the Engineer' Estimate to provide grill covering of 140 square meters to 105 glass windows of the building, those coverings had not been provided. It is observed in audit that it could be a problem with regard to the security of the building.
- (e.) 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. 75,165 relating to the sum of Rs. 30,065,945 paid to the contractor.

4. 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	02	02	-
Secondary Level	19	05	14
Tertiary Level	12	06	6
Total	33	13	20

Following observations are made.

- (a.) Action had not been taken up to the date of audit, to appoint a suitable person to the post of Ayurvedic Medical Doctor that had been vacant since June 2014.

- (b.) Action had not been taken up to the date of audit, to fill the vacancies in the posts of Librarian, Technical Officer, Electrician, Development Officer, Revenue Inspector, Driver, Machine Operator and Works Overseer.

5. 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 Management
- (f.) Budgetary Control