

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 17 June 2015 while Financial Statements relating to the preceding year had been submitted on 29 October 2014.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Seruvila Pradeshiya Sabha as at 31 December 2014 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 Deficiencies

Courts Fines Receivable amounting to Rs.1,420,450 relevant to the year under review had not been accounted.

1.3.2 Lack of Evidence for Audit

Letters of Confirmation of Balances, and Age Analysis Reports relevant to Accounts Payable amounting to Rs.9,124,422 had not been submitted to audit.

1.3.3 Non-compliance with laws, rules, regulations etc.

Instances of non-compliance with laws, rules, regulations and directions observed in audit are analyzed and shown below.

Reference to laws, rules and regulations

Non-compliance

(a) Rule 59 of the Pradeshiya Sabaha Rules Series (Financial and Administration) of 1988

Survey of Business Entities belong to 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 Sabah.

(c) Provincial Financial Rules No. 237

Action had not been taken in terms of provisions with regard to 27 cheques valued at Rs.45,926 issued, but not presented for payment over 06 months.

- (d) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. F.R. 571 Refundable Tender Deposit balances totalling Rs.171,581 relevant to the period from the year 2008 to 2013 had not been settled or taken to accounts as revenue.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabah for the year ended 31 December 2014 amounted to Rs.4,516,011, while the corresponding excess of revenue over recurrent expenditure for the preceding year had been Rs.10,081,004.

The decrease of the financial results in a sum of Rs.5,564,993 was mainly due to the decrease of Warrant Charges and Fines in a sum of Rs.7,374,630 for the year under review when compared with the preceding year.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

Information relating to estimated revenue, actual revenue and arrears of revenue for the year under review as submitted by the Chairman is given below.

Item of Revenue	Estimated Revenue	Actual Revenue	Accumulated arrears as at 31 December
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	Rs.000	Rs.000	Rs.000
Rates and Taxes	25	--	25
Lease Rent	2,399	3,788	--
License fees	428	552	--
Other Revenue	17,251	12,451	4,800

2.2.2 Stalls Rent

Legal action had not been taken to recover Stalls Rent Receivable totalling Rs.146,478 relating to a period ranging from 02 to 04 years.

3. Operating Review

3.1 Operational Inefficiencies

Ayurvedic Medical Centre

According to the statistics of the Ayurvedic Medical Centre, drugs had been issued to 1,711 patients during the year 2013 and to 1,186 patients during the first 05 months of the year 2014. Ayurvedic Medical Centre had been closed down with effect from June 2014 due to non-appointment of an Ayurvedic Doctor by the Ayurvedic Department, in spite of requests made by the Pradeshiya Sabha. Due to that, it had not been possible to achieve the objective of the

Pradeshiya Sabah in serving 14,741 people in the area belong to the Pradeshiya Sabah for uplifting their health standard.

3.2 Management Inefficiencies

- (a) Course of action required according to the recommendations made in the report of the Board of Survey conducted on 21 April 2015 had not been taken even up to 17 July 2015, date of audit.
- (b) Although buildings had been constructed at a cost of Rs. 111,501,038 without vesting the ownership of lands, value of those constructions had been shown in the final financial statements as Lands and Buildings. However, action had not been taken up to now, to get the legal ownership transferred with regard to the lands where these buildings were constructed.

3.3 Contract Administration

3.3.1 Construction of the Pradeshiya Sabah Building

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 Sabah under the Pura Neguma Project, on the basis that the construction should be finalized within 06 months. Following observations are made in this connection.

- (a) There had been a water leakage from the roof of the building to the Fiber Ceiling as well, as to the Wooden Ceiling of the Assembly Hall and due to that ceiling had been decayed. It was observed at the audit field inspection carried out on 15 July 2015 that there were heavy water leakages in 4 places of the ceiling and that action had not been taken to repair it.
- (b) 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.	Job Specification according to Engineering Specification	Job Completed	Amount paid
Quantity	Sheet		
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m.2	Aluminum & glazed door with fanlight with sum thick glass	Aluminum & glazed door with glazed 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 =====

- (c) 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.
- (d) Action in terms Part III of the Finance Act No. 03 of 2005 as amended by Finance Acts Amendments No. 13 of 2007 and No. 18 of 2009 had not been taken to retain and remit to the Commissioner General of Inland Revenue 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.

3.4. **Human Resource Management**

Approved and Actual Cadre

Information relating to the approved and actual Cadre of the Sabah as at 31 December 2014 is shown below.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
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Executive Level	02	01	01
Secondary Level	17	12	05
Tertiary Level	20	15	05
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Total	39	28	11
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Following observations are made in this connection.

- (a) Action had not been taken up to 17 July 2015, the date of audit, to appoint a suitable person to the post of Ayurvedic Medical Doctor that had been vacant since June 2014.

- (c) Action had not been taken up to the date of audit, to fill the vacancies existing over a period from 02 years to 05 years in the posts of Librarian, Technical Officer Electrician, Development Officer, Revenue Inspector, Driver, Machine Operator and Works Overseer.

05. Systems and Controls

Special attention is needed in the following areas of controls.

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