

Padavi Sri Pura Pradesiya Sabha

Trincomalee District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2015 had been submitted to the Auditor General on 19 April 2016 while Financial Statements relating to the preceding year had been submitted on 25 May 2015. The Auditor General's Report relating to the year 2015 was issued to the Secretary of the Sabha on 22 November 2016.

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 Padavi Sri Pura 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 Deficiencies

The following accounting deficiencies are observed.

(a) According to the Trade Licence Register the value of the trade licence fees receivable during the year 2015 was Rs.153,975. However it had been included in the revenue and expenditure account as Rs.114,700 whereby understating the revenue in a sum of Rs.39,275.

(b) According to Trade Licence Register the value of the trade licence fees receivable at the end of the year under review was Rs.314,800. However it had been indicated as Rs.46,700 in the balance sheet whereby understating the assets in a sum of Rs.268,100.

(c) Although an income of Rs.419,627 was received as rental income from rented out boutique apartments, it had been shown in the revenue and expenditure account as Rs.263,889 whereby understating the revenue by a sum of Rs.155,738.

2. Financial Review

2.1 Financial Results

The excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2015 amounted to Rs.1,630,456 as compared with the corresponding excess of recurrent expenditure over revenue for the preceding year amounted to Rs.7,029,656. Accordingly down turn of Rs.5,399,200 was observed in the financial result.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

Information relating to estimated revenue, actual revenue, arrears of revenue submitted for the year under review are given below;

Item of Revenue	Estimated Revenue	Actual Revenue	Accumulated arrears as at 31 Dec.
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	Rs. 000	Rs. 000	Rs. 000
Lease Rent	988	904	101
License fees	161	161	49
Other Revenue	7,496	9,430	824

2.2.2 Other Revenue

There were four communication towers within the area of authority of the Sabha and it would have been possible to enact by-laws and charge a fee from the relevant institutions maintaining those towers. Failure to take action in this regard deprived the Sabha of the opportunity of earning an income.

3. Operating Review

3.1 Management inefficiencies

The following observations are made in this regard.

- (a) Action in terms of Part III of the Finance Act No.03 of 2005 (subject to amendments made through Financial Amendments Act No.13 of 2007 and No.18 of 2009) had not been taken to retain the Construction Industry Guarantee Fund Levy (CIGFL) amounting to Rs.133,711 relating to Rs.53,484,226 paid to contractors for construction of main building of the Pradeshiya Sabha, child clinic centre, Sinhapura, old Madawachchi clinic centre and Jayanthiwewa weekly fair and remit the same to the Commissioner General Inland Revenue.
- (b) Buildings had been constructed on lands without transferring the ownership of the same and the value of those constructions and lands has been stated in Financial statements as Rs.91,107,364. However action had not been taken to transfer the Legal ownership of the lands on which building have been constructed.
- (c) In terms of the National Environmental Act No.47 of 1980 as amended by Act No.56 of 1988 and Act No.53 of 2000 and in terms of Gazette Extraordinary No.1523/16 dated 25 January 2008, licence had not been issued to 50 carpentry workshops, cement block Production industries and paddy mills being operated within the Sabha area of Authority.

3.2 Utilization of Vehicles

Following observations are made.

- (a) With regard to obtaining insurance covers for motor vehicle in terms of Public Finance Circular No.04/2015 dated 14 July 2015, it is required to obtain them from state owned institutions. However insurance covers had been obtained from private insurance companies for two vehicles.
- (b) Action had not been taken even by 29 September 2016 to transfer ownership of 08 vehicles made available to the Pradeshiya Sabha by the Ministry of Local Government under the programme for improving transport facilities in Local Government Institutions and the programme for providing primary machinery & equipment required for their Maintenance Units.

3.3 Assets Management

3.3.1 Under Utilized Assets

Following observations are made.

- (a) As per Pradeshiya Sabha (Finance and Administration) Regulation No.185 of 1988 if funds available with the Pradeshiya Sabha are considered more than its day-to-day needs, it is required to deposit them in a fixed deposit. However a sum of Rs.1.2 mn. To 4.2 mn. Is available with the Peoples Bank Account of the Sabha at the end of every month of the year 2015.
- (b) Whereas the Sabha had purchased a water sample testing unit and two water filter on 27 January 2015 at a cost of Rs.485, 000, they have not been put into use even by 29 August 2016 due to non-availability of an officer with required technical knowledge to carry out water sample testing.
- (c) The Cab made available to the Sabha by the Ministry of Local Government and Provincial Councils in 2006 had been parked in the vehicle park from the year 2015 rwaiting repairs without taking a suitable action.

3.3.2 Board of Survey

According to report of the Board of Survey, action had not been taken even by 29 September 2016 on 72 items of goods not included in the Inventory.

3.4 Operating Inefficiencies

UPVC Pipes made available by the Water Development Project of the Eastern Province to the Sabha in 2012 and 2013 for laying with community participation and the remaining stock of 3000 pipes available after completion of the laying and fixing had been stored in an irregular manner in stores of Padavi Sri Pura, Jayanthiwewa and Samanpura without taking suitable action to store them suitably for future use.

3.5 Contract Administration

3.5.1 Construction of Jayanthiwewa weekly fair

Contract had been awarded on 09 October 2013 for construction of Jayanthiwewa weekly fair under “Puraneguma” project valued at Rs.7,682,087 on the basis of completing constructions within a period of 06 months.

Following observations are made in this regard:

- (a) Due to first contractor’s failure to commence work, this had been awarded to the second contractor on 20 January 2014 at a cost of Rs.8,428,900. Although it was decided to recover the loss amounting to Rs.746,813 incurred by the Sabha from the first contractor, only Rs.384,105 had been recovered.
- (b) As per agreement although the second contractor was required to complete the constructions on 19 April 2014, they had completed and handed over the undertaking to the Sabha on 20 October 2014. However, no action had been taken even by 29 September 2016 to recover delaying charges of Rs.771,244 to be recovered as per condition No.6.4 of the Contract Agreement.

3.6 Human Resources Management Approved and Actual Cadre

Information relating to approved and actual cadre of the Sabha as at 31 December 2014 are given below:

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
Executive Level	02	-	02
Secondary Level	17	10	07
Tertiary Level	<u>24</u>	<u>21</u>	<u>03</u>
Total	43	31	12
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Action had not been taken even by 29 September 2016 to fill vacancies existing for a period of 02 – 05 years in the Posts of Ayurvedic Medical Officer, Management Assistant, Technical Officer, Librarian, Electrician and Driver.

4. Systems and Controls

Special attention is needed in the following areas of systems and controls.

System -----	field attention is needed -----
(a) Accounting	Accounting of revenue
(b) Revenue Administration	Recovery of revenue in arrears
(c) Contract Administration	i. Recovery of charges for delays ii. Payment of contract lease