

Seruwila Pradeshiya 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 05 April 2016 while Financial Statements relating to the preceding year had been submitted on 17 June 2015. The Auditor General's Report relating to the year 2015 was issued to the Secretary of the Sabha on 12 August 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 Seruwila 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

Following accounting deficiencies are observed.

- (a) Lands and buildings to the value Rs.1,809,465 included in the Fixed Asset Register had not been brought to the balance sheet.
- (b) Loan interest amounting to Rs.598,030 for the year ended 31 December 2015 that had been deposited in four fixed deposits had not been brought to the revenue statement. Accordingly the excess of the year had been understated by a similar amount.
- (c) Due to not debiting of Rs.76,000 which being the value of six cheques cancelled during the current year to Cash Book, final balance as at December 2015 had been understated by Rs.76,000.

1.3.2 Lack of evidence for audit

Contract files relating to retention money in respect of three contracts which amounted to Rs.608,336 had not been submitted to audit.

1.3.3 Non-compliance with Laws, Rules & Regulations

No action had been taken in terms of Provincial Financial Regulation 237 with regard to cheques valued Rs.51,950 not submitted for payment, whereas 06 months had been elapsed since issuing.

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.5,642,265 as compared with the corresponding excess of recurrent expenditure over revenue for the preceding year amounted to Rs.4,516,011.

Increase of other additional receipts in comparison with the previous year mainly caused to increase financial result of the year under review by Rs.1,126,254.

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 December
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	Rs. 000	Rs. 000	Rs. 000
Rate and Taxes	25	2	23
Lease Rent	2,986	4,206	-
Licence fees	636	661	-
Other Revenue	20,885	18,818	2,067

2.2.2 Stall Room Rented/Leased

Action had not been taken up to 25 May 2016 to recover lease rent for the period 2011-2015 amounting to Rs.230,306.

2.2.3 Stamp fees

Action had not been taken to identify and recover amount receivable as stamp fees as at 31 December 2015 from Chief Secretary, Eastern Provincial Council.

3. Operating Review

3.1 Ayurvedic Medical Centre

- (a) According to figures relating to Pradeshiya Sabha Ayurvedic Medical Centre located in Pradeshiya Sabha building, about 1200 patients had been treated in 2013 and 2014. However since June 2014 this medical centre remain closed due to the absence of a

Ayurvedic Medical Officer. Accordingly, it had not been possible to achieve objective of increasing the health standard of the people in the area of authority.

- (b) Due to this medical centre having remained closed for nearly two years it had not been possible to use 34 items of medicine valued at Rs.23,314.

3.2 Management Inefficiencies

- (a) The Pradeshiya Sabha had not taken action to implement recommendations of the Board of Survey relating to goods to be repaired and goods to be destroyed as had been identified by the Board of Survey as per its Report dated 31 January 2016 made in respect of the year 2015.
- (b) The Sabha had constructed playgrounds, public wells, community halls, water tanks, crematories and public markets at a cost of Rs.112,446,047 by 31 December 2015 without taking over the legal ownership of the relevant lands.
- (c) In terms of the Circular No.41/90 dated 10 October 1990 of the Secretary to the Ministry of Local Government, Provincial Councils and Home Affairs, it is required to test fuel consumption once in 06 months. However the Sabha had not adhered to this requirement in respect of 10 vehicles owned by it.
- (d) As per Financial Regulation 750, it is required to fix state emblem in respect of all government vehicle. However there were 23 vehicles without state emblem.
- (e) As per Financial Regulation 1645 vehicle should be kept under responsible officer in charge of the subject and Log Note Books have to be maintained by that officer. However details of vehicles, consumption of fuel, tools and spare parts in respect of vehicles owned by the Sabha had not been included in Log Books.
- (f) Revenue Licence for 13 running vehicles had not been obtained applicable to the year under review.
- (g) In terms of Public Finance Circular No.04/2015 dated 14 July 2015, insurance cover for vehicle should be obtained from state owned institutions. However the Sabha had obtained insurance cover for 09 vehicles through an insurance agent.

3.3 Fixing of Road Name Boards

Out of the Sabha funds Rs.405,000 had been spent on 23 December 2014 for making and fixing of 30 road name boards. Following observations are made in this regard.

- (a) In terms of Section 9.1 Chapter 08 of the Government Procurement Guideline agreements had to be signed in respect of contract, the value of which exceeds Rs.250,000. However, agreements had not been signed by the Pradeshiya Sabha with suppliers for fixing of these name boards.
- (b) Whereas quotations had been called on 22 December 2014 with regard to the contract for fixing these name boards, the supplier had been paid with Rs.405,000 on the following day – i.e. 23 December 2014 having certified expenditure as completed the undertaking.
- (c) Only 10 name boards prepared had been fixed and due to payment having been made prior to fixing them, 20 name boards were seen lying on the Pradeshiya Sabha premises even by 25 May 2016.

3.4 Preparation of LED name boards

A sum of Rs.938,000 out of the Sabha Fund had been spent on 10 March 2014 on fixing of LED Notice Board for advertising notices in order to preserve urban landscaping as well as to obtain an income for the Pradeshiya Sabha. Following observations are made in this regard.

- (a) In terms of Section 9.1 (b), Chapter 08 of the Procurement Guideline, it is required to sign agreement for goods service contract, the value of which exceeds Rs.250,000. However contracts had not been signed with regard to this notice board.
- (b) This name board had been fixed with less capacity of lighting than the required amount and disregarding the number of advertisements that might be displayed. Due to release of lights than the required amount and displaying a number of advertisements on the screen simultaneously, this notice board had been remaining inactive since 17 March 2014.
- (c) In task of fixing of this notice board the post responsibilities of the supplier had not been identified. Therefore the Sabha was not in a position to get board repaired even though it became inoperative within 07 day of fixing. Accordingly the amount spent on it had become unuseful expenditure.

3.5 Contract Administration

3.5.1 Construction of Pradeshiya Sabha building

Contract agreements had been signed on 17 December 2012 for construction of two storeyed building at a cost of Rs.27,709,341 for Pradeshiya Sabha Office under “Puraneguma” project on the basis of completing construction within a period of 06 months. At the physical inspection carried out on 25 May 2016 following observations were made.

- (a) Doors and windows of the building had not been made adhering to specifications included in engineering estimates of the building. However a payment of Rs.1,842,680 had been made that they have been deigned adhering to specifications of engineering estimates.
- (b) Although a sum of Rs.630,000 had been allocated for 140 sq. m. of glass covers as per engineering estimates which included a total of 105 windows constructed for the building, the undertaking had not been completed leading to a security problem for the Sabha.
- (c) Due to water leak from pipes of the toilet system, both toilets in the Pradeshiya Sabha building couldn't be used.
- (d) Action in terms of Part III of the Finance Act No.03 of 2005 (Subject to amendments made through Financial Amendment Act No.13 & 18 of 2007) had not been taken to retain the Construction Industry Guarantee Fund Levy (CIGFL) amounting to Rs.75,165 relating to sum of Rs.30,065,945 paid to the Contractor and remit the same to the Commissioner General, Inland Revenue.

3.5.2 Construction of Pradeshiya Sabha Garage

A garage had been constructed on 18 May 2015 by spending Rs.493,250 out of Pradeshiya Sabha Fund to park vehicles owned by the Sabha. Following observations are made in this regard.

- (a) In terms of Section 9.1 (b) Chapter 08 of the Government Procurement Guideline, agreements have to be signed for goods or services contract, the value of which exceeds Rs.250,000. However no contract agreements had been signed with regard to the construction of this garage.
- (b) Whereas payments had been made to the contractor upon certification by the responsible officer that the construction had been completed adhering to due standard. However at the physical inspection on 25 May 2016 when compared the material actually used in the construction and the Bill paid it was revealed that excess payment of Rs.35,150 had been paid.

Item	Amount as per Bill payment	Amount actually used	Shortage	Unit Price paid	Excess amount
2" GI Pipe	20	15	5	4,150	20,750
1" GI Pipe	24	20	4	1,850	7,400
Bending of Pipe	-	-	-	-	<u>7,000</u>
Excess Payment					35,150
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(c) Although total amount had been paid to the supplier for the construction of garage, concrete used on the floor had been cracked due to the use of sub standard concrete mixture and their thickness being not upto the specific standard and due to irregular application of roofing sheets they had been damaged leading to a safety problem of vehicles parked in it.

3.6 Asset Management Under Utilized Assets

Rs.675,000 valued Double Cab owned by the Pradeshiya Sabha remained idle for over one and half year as it requires replacement of Front Bar and tyres while Rs.1,000,000 valued Mahendra Cab remained idle for over three years due to defect in diesel pump.

3.7 Environmental Problem Issuing of Environmental Licence under National Environmental Act

In terms of provisions under section 23”a” of the National Environmental Act No.47 of 1980 as amended by Act No.56 of 1980 and No.53 of 2000, Environment Protection Licence have to be obtained by Pradeshiya Sabha for specified enterprises. Instead Trade Permits had been issued to such 13 enterprises.

4. Human Resources Management Approved and actual cadre

Information relating to approved and actual cadre of the sabha as at 31 December 2015 are given below;

<u>Category of Employees</u>	<u>Approved Cadre</u>	<u>Actual Cadre</u>	<u>Number of Vacancies</u>
Executive Level	02	01	01
Secondary Level	15	10	05
Tertiary Level	<u>22</u>	<u>18</u>	<u>04</u>
Total	39	29	10
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Following observations are made in this regard.

- (a) Action had not been taken to appoint a suitable person to the post of Ayurvedic Medical officer that has been remaining of vacant since June 2014.
- (b) Action had not been taken even at the date of audit to fill the vacant posts of Librarian, Electrician, Development Officer and Revenue Inspector that have been remaining vacant from 02 to 05 years.

5. Systems and Controls

Special attention is needed in the following areas of Systems & Controls

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