

**Padavi Sri Pura Pradeshiya Sabha**

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**Trincomalee District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

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The financial statements for the year 2016 had been presented to Auditor General on 11 April 2017 and the financial statements for the preceding year had been presented on 19 April 2016. The report of the Auditor General for the year 2016 had been forwarded to the Secretary of the Sabha on 14 August 2017.

**1.2 Qualified Opinion**

In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Padavi Sri Pura Pradeshiya Sabha as at 31 December 2016 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**

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The following accounting deficiencies were observed.

- (a) Even though, the revenue received in the year 2016 amounted to Rs.2,350,001 as per register of vehicle rent revenue, it had been included as Rs.2,280,555 in the income and expenditure account. As such, the revenue had been understated by Rs.69,446.
- (b) The bus transferred to the Pradeshiya Sabha by a non-government organization valued at Rs.4,385,000 in the year 2015 had not been capitalized.
- (c) The value of 02 tractors and a motor bicycle belonging to the Sabha had not been assessed and capitalized.

**1.3.2 Non-compliance with Laws, Rules and Regulations**

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In terms of Financial and Administration Rules No.217, of Pradeshiya Sabha the Register of Fixed Assets had not been updated.

## 2. Financial Review

### 2.1 Financial Results

The excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2016 amounted to Rs.7,598,815, and the corresponding excess of revenue over recurrent expenditure for the preceding year had been Rs.1,630,456. Accordingly, the financial result had increased by Rs.5,968,359.

The increase of financial results by Rs.5,968,359 in the year under review was mainly due to the increase of Rs.5,000,000 in the other revenue and the service charges for the year under review as compared with the preceding year.

### 2.2 Financial Control

If it is considered that the money of the Council is excessive more than the daily requirement, those money should be deposited in a bank as fixed deposits with the concurrence of the Council in terms of the 1988 Pradeshiya Sabha Rule No.185 (Financial and Administration). Nevertheless, the money ranging from Rs.4.1 million to Rs.8.5 million had remained in the current account of the Council at the end of each month in the year 2016. The attention had not been paid to invest those excessive money in a fixed deposit and to earn revenue.

### 2.3 Revenue Administration

#### 2.3.1 Performance in Revenue Collection

(a) Information with regard to estimated revenue, actual revenue and arrears of revenue as submitted for the year under review is given below.

Item of Revenue	Estimated Revenue	Year 2016	
		Actual Revenue	Accumulated arrears as at 31 December
	Rs.000	Rs.000	Rs.000
Lease Rent	1,062	1,109	123
License Fees	349	289	15
Other Revenue	8,461	12,379	3,500

(b) Action had not been taken by the Sabha to impose by-laws and to recover a fee from the respective telecommunication transmission towers installed within the authoritative area of the Sabha and as such a revenue could have been earned by the Sabha had been deprived.

### **3. Operating Review**

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#### **3.1 Management Inefficiencies**

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The following matters are observed in this connection.

- (a) The legal ownership of the lands valued at Rs.102,683,386 had not been vested to the Sabha.
- (b) The ownership of 03 motor vehicles provided by the Ministry of Local Government under the Programme of providing transport facilities of the Local Government Institutions had not been vested in the Sabha.
- (c) Even though, a sum of Rs.99,065 had been incurred by the Pradeshiya Sabha in January 2016 to obtain 30 accessories of street lamps under the Strengthening of Pradeshiya Sabha Programme, only one out of them had been installed while other street lamps had remained idle in the stores of the Sabha even by 30 June 2017.
- (d) An Ayurvedic Medical Centre was not made available in the Pradeshiya Sabha but a medical officer had been attached to the Sabha. As such an effective service could not be made available from this medical officer.

#### **3.2 Operating Inefficiencies**

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The value of UPVC Pipes provided to the Sabha through the Eastern Province Water Supply Deployment Project during the years 2012 and 2013 for laying with the community participation and a stock of 3000 pipes left after fixing had been about Rs.1,200,000 approximately and those had been improperly stored in the stores of Jayanthi weva and Saman Pura. Necessary course of action had not been taken to utilize those stock of pipes for any other work.

#### **3.3 Contract Administration**

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##### **3.3.1 Construction of Jayanthiweva Weekly Fair under Puraneguma Project-Rs.7,682,087**

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The following matters are observed in this connection.

- (a) Above contract had been awarded to second contractor at a value of Rs.8,428,900, on 20 January 2014 as the first contractor had not commenced the work. As such, it was decided to recover the loss incurred by the Government amounting to Rs.746,803 from the first contractor, but only a sum of Rs.384,105 had been recovered.
- (b) Even though, the contract had to be completed on 19 April 2014 by the second contractor, as per the agreement the work had been completed and handed over to the Sabha only on 20 October 2014. Action had not been taken even by 29 June 2017 to recover the liquidated

damages amounting to Rs.771,244 recoverable in terms of the condition No.6.4 of the agreement.

### **3.3.2 Concreting of Padavi Sri Pura Telecom Road**

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A sum of Rs.991,610 had been incurred for concreting of 197 meters of Padavi Sri Pura Telecom Road under Strengthening of Pradeshiya Sabhas Programme 2016. Even though, the concrete had been laid a problem was shown for long term existence of this road as the gravel had not been deployed for the both sides of the road and the regiform used between the concrete had not been removed and bitumen had not been laid.

### **3.3.3 Repairing and Construction of Roads using Gravel**

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Contrary to the Guideline 1.2 of Finance Commission Circular No.2016/01 dated 30 December 2015 two roads had been constructed by laying gravel incurring Rs.271,798 in the year 2016 by the Sabha, under Strengthening of Pradeshiya Sabhas National Programme

### **3.4 Environmental Problems**

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In terms of National Environmental Act No.47 of 1980 the Environmental Protection Licences should be obtained in implementation of businesses which are affected to the environmental problems such as carpentry industry, production of cement blocks, rice mills. Nevertheless, 93 such businesses implemented within the authoritative area of the Sabha had maintained those businesses without being obtained those licenses. The Sabha had not taken necessary course of action to solve the environmental problems in this connection which may be occurred.

### **3.5 Accountability and Good Governance**

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#### **3.5.1 Idle and Under Utilized Assets**

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- (a) Even though, the Pradeshiya Sabha had purchased a Water Samples Testing Kit and 2 Water Filters by spending Rs.485,000 on 27 January 2015, the equipment sets had remained idle from the date of purchase due to an officer with technical knowhow was not made available for testing water samples.
- (b) The cab vehicle provided to the Sabha by the Ministry of Local Government and Provincial Councils in the year 2006 had remained non-operative from the year 2015 and had been parked in the vehicle yard. Necessary course of action had not been taken either to repair and use or to dispose even by 30 June 2017.

**4. Human Resources Management**

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**Approved and Actual Cadre**  
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Action had not been taken even by 29 June 2017 to fill vacancies existed in the posts of Secretary of the Pradeshia Sabha, Management Assistant, Technical Officer, Librarian, Electrical Technician and Driver for a period ranging from 02 years to 04 years.

**5. Systems and Controls**

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

<b>System</b>	<b>Area needed Attention</b>
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(a) Accounting	Accounting of assets.
(b) Revenue Administration	Recovery of arrears of revenue.
(c) Contract Administration	i. Execution of work as per Circulars. ii. Payment of taxes of contracts.
(d) Human Resource Management	To fill staff vacancies.