

Seruwila Pradeshiya Sabha

Trincomalee District

1. Financial Statements

1:1 Presentation of Financial Statements

The financial statements for the year under review had been presented for audit on 24 April 2013 and the financial statements for the preceding year had been presented on 22 February 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Council on 20 February 2014.

1:2 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Seruwila Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2012 and 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 Seruwila Pradeshiya Sabha as at 31 December 2012 and the financial results of its operation for the year then ended.

1:3 Financial Statements

1:3:1 Accounting Policies

(a) The accounting policies adopted in preparation of financial statements had not been disclosed with the financial statements.

- (b) As a result of not providing for depreciation of fixed assets of Rs.34,770,040 used for operating activities and earning of revenue, the actual expenditure of the Sabha had not been shown in the accounts.

1:3:2 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) The balance appearing in the cash book at end of the year under review amounting to Rs.5,248,869 with reference to the NELSIP Project implemented by the Sabha had not been brought to account.
- (b) The recurrent revenue as per summary of consolidated receipts was Rs.10,307,904. However, this had been accounted for, as Rs.5,131,224 resulting in an understatement of recurrent revenue by Rs.5,176,680.
- (c) Refundable deposits of Rs.239,079 of 32 lessees of stalls had not been shown in the financial statements.
- (d) The actual expenditure incurred in construction of stalls at the Seruwila Sacred City was Rs.6,506,143. However, this had been accounted for, as Rs.5,998,484 resulting in an understatement of fixed assets by Rs.507,659.
- (e) The sum of Rs.606,143 payable to the contractor for construction of stalls as at end of the year was Rs.606,143. This had not been brought to account.

1.3.3 Non Maintenance of Books of Accounts

The following observations are made.

- (a) Necessary action had not been maintain updated payment cash book, register of fixed assets and register of equipment.
- (b) Updated specimen forms such as arrears of revenue, analysis of monthly consolidated expenditure, monthly summary of consolidated expenditure and analysis of monthly consolidated receipts had not been maintained.

1:3:4 Non-compliance with Laws, Rules, Regulations

Non-compliances with laws, rules and regulations observed in audit appear below.

Reference to Laws, Rules, Regulations	Non-compliance
(a) Pradeshiya Sabha (Finance and Administration) Rules 1988	
(i) Chapter I Section 5(XI)	Insurance coverage had not been obtained for cash.
(ii) Chapter I Section 5 (XII)	Security deposits had not been obtained from those who had been entrusted with the custody of cash.
(iii) Rule 59 of the Manual of Rules	A survey of the business establishments within the area of the Sabha had not been conducted.
(b) Circular No. 41/90 of 10 October 1990 of the Secretary to the Ministry of Public Administration, Provincial Councils and Home Affairs.	Consumption of fuel by vehicles of the Sabha had not been tested every 6 months.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
(i) F.R. 396	Proper action had not been taken with regard to 16 cheques valued at Rs.22,605 which had not been presented for payments although 6 months had elapsed since their dates of issues.
(ii) F.R. 507	A survey of library books valued at Rs.783,948 had not been carried out as at 31 December 2012.
(iii) F.R. 570	Action had not been taken to either settle or credit to revenue the balance of refundable tender deposits amounting to Rs.81,101.

2 Financial and Operating Review

2:1 Financial Results

According to the financial statements presented, the revenue exceeding the recurrent expenditure of the Sabha for the year ended 31 December 2012 was Rs.1,553,654 as compared with the revenue exceeding the recurrent expenditure of the preceding year amounting to Rs.2,780,841.

2:2 Financial Control

The variances between the actual and the budgeted expenditure of the year under review ranged from 18 to 100 percent. Accordingly, it was observed in audit that the annual budget had not been used as an efficient instrument of financial control.

2:3 Revenue Administration

2:3:1 Estimated Revenue, Actual Revenue and Arrears of Revenue

The information relating to the estimated revenue, actual revenue and the arrears of revenue for the year under review, as presented by the Chairman, appear below.

	Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
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		Rs.'000	Rs.'000	Rs.'000
(i)	Rates and Taxes	05	--	05
(ii)	Lease Rent	1,968	1,178	2,579
(iii)	Licence Fees	146	234	--
(iv)	Other Revenue	4,322	3,719	603

2:3:2 Enactment of Bye-Laws for Revenue

Bye laws enacted by the Sabha on 22 May 2012 with reference to bakeries, sales on pavements, sale of fish, three wheeler parking spaces etc., had not been forwarded to the office of the Commissioner of Local Government for approval. But, these bye-laws had not been legalized yet.

2:3:3 Stall Rent

Action had not been taken to recover the stall rent of Rs.203,313 receivable for the year 2012.

2:3:4 Court Fines

Action had not been taken to obtain the court fines of Rs.10,108,413 due from the Chief Secretary of the Eastern Provincial Council as at 31 December 2012.

2:4 Idle and Underutilized Physical Resources

The following observations were made.

- (a) Action had not been taken to repair the Mahendra cab valued at Rs.1,000,000 purchased in 2008. As a result, it remained idle for over one year.
- (b) The board of survey had recommended that a two wheeler valued at Rs.287,500 and a Unimo Tractor and a Trailer valued at Rs.350,000 were beyond usage. However, action had not been taken to suitably dispose of, those items.

2:5 Contract Administration

During the year under review, contracts valued at Rs.76,476,444 had been delayed for a period ranging from 221 to 504 days. But, action had not been taken to recover demurrage as per agreements.

2:6 Operating Inefficiencies

- (a) Action had not been taken to acquire in favour of the Sabha 7 vehicles with a total cost of Rs.4,900,000 obtained by the Sabha as donation from the Assistant Commissioner of Local Government, Trincomalee.
- (b) Title deeds of land and buildings amounting to Rs.13,961,229 had not been obtained.

2:7 Human Resources Management

Approved and Actual Cadre

The approved and actual cadre of the Sabha as at 31 December 2012 appear below.

Category of Staff	Approved Cadre	Actual Cadre	No. of Vacancies
Executive Level	02	01	01
Secondary Level	08	05	03
Tertiary Level	14	05	09
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Total	24	11	13
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The following observations were made.

- (a) The posts of librarian and revenue supervisor remained vacant.
- (b) Employees had been recruited and a sum of Rs.592,118 had been paid as salaries to cover up vacancies in the tertiary level.

3. Systems and Controls

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

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