

Seruvila Pradeshiya Sabha

Trincomalee District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2016 had been presented to Auditor General on 05 April 2017 and the financial statements for the preceding year had been presented on 05 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 Seruvila 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

The following accounting deficiencies were observed in audit.

- (a) Two tractor trailers valued at Rs.630,000 purchased by the Sabha in the year 2016 under Pradeshiya Sabhas Strengthening Programme had not been capitalized.
- (b) Despite that, the work of the 10 construction contracts for which agreements has been signed in December 2014 had not been commenced, the estimated value amounting to Rs.1,982,371 had been shown as creditors.
- (c) A sum of Rs.350,438 paid for creditors had been brought to account under capital expenditure. As such the creditors and the capital expenditure had been overstated by similar amount.

1.3.2 Lack of Evidence for Audit

Agreements, payment vouchers and other documents relating to retention money of 3 contracts amounting to Rs.608,336 had not been furnished to audit.

1.3.3 Non-compliance with Laws, Rules, Regulations

Non-compliance with the provisions of laws, rules and regulations observed in audit are analyzed and shown below.

Reference to Laws, Rules and Regulations etc.	Non-compliance
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(a) Pradeshiya Sabha Act No.15 of 1987 Section 129	The balance in the current account No.233100110000050 amounting to Rs.284,533 had not been credited to the Sabha fund.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	

(i) Financial Regulation 396	Action had not been taken in respect of 3 cheques issued but not presented for payment and exceeded 06 months valued at Rs.196,420.
(ii) Financial Regulation 571	Action had not been taken either to settle or to take into account the refundable tender deposits relating to the year 2014 amounting to Rs.186,550 and the retention money for the period from the year 2011 to 2013 amounting to Rs.556,490.
(c) Pradeshiya Sabha Rules Series (Financial and Administration) of 1988 published in the Extra-ordinary Gazette No.554/5 dated 17 April 1989.	
(i) Rule 59	Even though, a survey should be carried out at the beginning of each year, relating to the businesses and industries maintained in the authoritative area of the Sabha such a survey had not been carried out by the Sabha for the year under review.

- (ii) Rule 61 A Register for trading licences for the year 2016 had not been prepared and maintained.
- (iii) Rule 143 Even though, the accounts should be maintained separately for the refundable tender deposits, refention money, library deposits and other deposits, the Sabha had not taken action so on.
- (iv) Rule 217 The Register of Fixed Assets had not been updated.
- (c) Public Administration Circular No.41/90 dated 10 October 1990. A fuel consumption test for 10 motor vehicles belonging to the Sabha had not been carried out.

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.6,645,655 and the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.5,642,265. Accordingly, the financial result had increased by Rs.1,003,390.

The increase of the other revenue by a sum of Rs.4,808,403 had mainly attributed for the increase of the financial results by a sum of 1,003,390 for the year under review as compared with the preceding year.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

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

Item of Revenue	Estimated Revenue	Year 2016	
		Actual Revenue	Accumulated Arrears as at 31 December
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	Rs.000	Rs.000	Rs.000
Lease Rent	3,245	3,195	953
License Fees	656	720	-
Other Revenue	4,326	10,200	-

2.2.2 Stamp Fees

Action had not been taken to identify and obtain the receivable money as stamp fees as at 31 December 2016 from the Chief Secretary of the Eastern Provincial Council.

3. Operating Review

3.1 Operating Inefficiencies

Maintenance of Ayurvedic Medical Centre

Even though, the treatments for about 1200 patients per year has been carried out from the Ayurvedic Medical Centre situated in the Pradeshiya Sabha Building, action had not been taken by the Sabha to appoint a medical officer after transferring of the Ayurvedic Medical Officer who employed there to another place. Therefore, the medical centre has been closed since June 2014 and as such the objectives such as to supply services to the people of the authoritative of the Sabha and to enhance the health level of them could not be achieved. Further, 51 medicinal drugs valued at Rs.61,665 could not be utilized due to kept closed of the Ayurvedic Medical Centre.

3.2 Management Weaknesses

(a) Constructions carried out without Vesting Lands

Even though, the Sabha had constructed play grounds, public wells, community halls, water tanks, cemeteries and public markets etc. amounting to Rs.85,862,048 in the lands belonging to Department of Wildlife and Divisional Secretariats by 31 December 2016, the legal ownership of above lands had not been vested in the Sabha.

(b) Installation of a LED Advertisement Board

A sum of Rs.938,000 had been spent on 10 March 2014 from the funds of the Sabha to install a LED Advertisement Board for publishing the advertisements. The matters such as the capacity of lighting to be deployed and the amount of advertisements could be advertised had not been taken in to consideration in the operation of this board and as such it had remained non-operative from 17 March 2014. Hence, the amount spent had become a fruitless expenditure.

(c) Construction of the Garage of the Pradeshiya Sabha

A sum of Rs.493,250 had been incurred from the fund of the Sabha on 18 May 2015 to construct a garage for parking of the vehicles of the Sabha. The following matters were observed in this regard.

- (i) The responsible officer had certified that the garage had been constructed and completed properly and a sum of Rs.134,400 had been paid for 44 GI pipes and to curve the pipes. But only 35 GI pipes had been used and the work of curving of pipes had not been made. Therefore, a sum of Rs.35,150 had been over paid.
 - (ii) In the construction of the garage, the concrete for the floor had been laid with less thickness and as such the floor had broken in several places.
- (d) Leasing of Trade Stalls

The recoverable lease rental revenue for the trade stalls and the rest house in respect of the period from the year 2011 to 2016 amounting to Rs.899,845 had not been recovered even by 31 May 2017.
- (e) Expenditure contrary to the Objective

The provisions of Rs.500,000 for purchasing of equipment to dispose waste had been received by the Seruwila Pradeshiya Sabha for the year 2016 under the Programme of Strengthening of Pradeshiaya Sabhas. However, office equipment valued at Rs.89,600 had been purchased on 29 December 2016 contrary to the respective objective.
- (f) Obtaining Revenue Licences

As the action had not been taken to obtain revenue licences on due dates for 08 vehicles in the year 2017 a penalty of Rs.9,050 had been paid by the Sabha. It was observed in audit, that a loss had incurred to the Sabha Fund due to the negligence of the officers.

3.3 Contract Administration

3.3.1 Construction of Pradeshiya Sabha Building under Puraneguma Project – Rs.27,709,341

The following observations are made in this connection.

- (a) Even though, a sum of Rs.630,000 had been allocated of 140 m² for grill coverage of 105 glass windows constructed in the building as per the engineering estimate, that grill coverage had not been deployed. As such it was observed in audit it will become a problem for the security of the Sabha.
- (b) The 2 lavatories constructed in the Sabha building could not be utilized as overflowing the water due to seepage of water through pipe lines of the lavatory system.
- (c) Action had not been taken to retain a sum of Rs.75,165 in connection with Construction Guarantee Fund (CIGFL) relating to Rs.30,065,945 paid to the contractor and send to the Commissioner General of Inland Revenue in terms of Part III of Finance Act No.05 of 2005

(subject to the amendments made by the Finance Amendments Act No.13 of 2007 and No.18 of 2009).

- (d) The roof of the building had not been constructed properly. Hence, the water collecting in the upper floor was flowing to open area of the ground floor through the windows and the ceiling of the upper floor and as such it was difficult to work in the building in rainy days.
- (e) Despite that, the above lapses were existed, the retention money of Rs.1,385,467 had been certified by the Secretary and paid on 04 August 2016 under the voucher No.232 without being got rectifying those lapses.

3.3.2 Serunuwara Crematorium

Without making a proper feasibility study relating to the necessity of a Crematorium, the Pradeshiya Sabha had constructed a crematorium by incurring Rs.16 million under Puraneguma Project (NELSIP) in the year 2014 but only 5 bodies had been cremated by 31 May 2017. Accordingly, the amount spent had become a fruitless expenditure.

3.3.3 Construction of Lingapuram Library under Puraneguma Project – Rs.5,613,650

The following matters were observed in this connection

- (a) Even though, the inside floor of the building had been cemented and finished, without a proper standard, the cement on the several places of the floor had cracked. Therefore, it could not be utilized for a long period.
- (b) Even though, the contract should be completed and should be handed over to the Sabha by 14 November 2016, the work completion certificate had been issued on 15 March 2015. Accordingly, the liquidated damages for delayed period of 04 months amounting to Rs.336,819 had not been deducted.
- (c) Even though, a sum of Rs.35,000 had been paid to the contractor to install white board for the library, it had not been installed.
- (d) A sum of Rs.160,000 had been paid for growing of 40 plants in the premises of the library and for the maintenance of 06 months period. However, those plants were not maintained properly and as such 06 plants out of that were destroyed. Therefore, a sum of Rs.24,000 paid thereon had become a fruitless expenditure.

3.3.4 Construction of Public Lavatory for Serunuwara Weekly Fair

- (a) A public lavatory had been constructed by the Pradeshiya Sabha in the premises of the weekly fair under Infrastructure Facilities Development Programme. Even though, a work completion certificate had been issued on 28 December 2016 that the work had been

completed, works valued at Rs.25,406 mentioned in the bill had not been executed even by 31 May 2017.

- (b) Even though, the floor should be completed with a plastering and laying red cement with the thickness of 20 mm at the ratio of 1.3 cement mixture under work item No.14 only plastering had been done. Similarly, the painting should be done with two coats on the internal and external walls. But it had been painted only one coat. The technical officer had certified that the above works had been fully completed and the bill of Rs.37,613 had been submitted for payments.

3.3.5 Repairing and Construction of Roads using Gravel

Contrary to the Guideline 1.2 of Finance Commission Circular No.2016/01 dated 30 December 2015, the Pradeshiya Sabha had constructed 3 roads by using gravel under Strengthening of Pradeshiya Sabhas National Programme in the year 2016 and a sum of Rs.743,820 had incurred thereon.

3.3.6 Contracts not Commenced

Even though, 10 contract agreements for which estimated value amounting to Rs.1,982,371 had been signed to construct under Sabha funds in December 2014, respective works of the contracts had not been commenced even by 31 May 2017.

3.4 Under-utilised Assets

The double cab belonging to the Pradeshiya Sabha valued at Rs.675,000 had not been utilized since for a two and half years as the front bar and the tyres had to be changed and the Mahendra Jeep amounting to Rs.1,000,000 had not been utilized since 4 years due to a problem in the diesel pump.

3.5 Issuing of Environment Licences

In terms of provisions of the Section 23 “a” of the National Environmental Act No.47 of 1980, the Environment Protection Licences had not been issued by the Sabha for 12 businesses for which should be obtained licences,

3.6 Solid Waste Management

The following matters were observed at the audit inspection carried out in respect of waste management of the Serunuwara Pradeshiya Sabha.

- (a) Despite, a land in extent of 0.4 hectares in the Seruwila Beettu forest area had been given by the Department of Forest Conservation on the request for a land for the solid waste management made by the Chairman of the Pradeshiya Sabha in the year 2013, the waste

collected by the Sabha had been disposed to a land belonging to the Department of Wild life without disposing to the above land.

- (b) Thirty tones of waste has been disposed monthly. The waste had been disposed without being separated as per the recommendations of the Central Environmental Authority. Therefore, the wild elephants in the area had used to eat waste and that had been a threat to their lives. However, the Pradeshiya Sabha had not taken action to construct an electric fence around the land allocated by the Department of Wildlife and to dispose the waste properly even by 30 May 2017.

4. Human Resources Management

Approved and Actual Cadre

The following observations are made.

- (a) Action had not been taken to appoint a suitable person for the post of Ayurvedic Medical Officer which remained vacant since June 2014.
- (b) Action had not been taken to fill vacancies existed since over a period of 04 years in the posts of Librarian, Electrical Technician Officer, Development Officer and Revenue Inspector.

5. Systems and Controls

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

	System -----	Area needed Attention -----
(a)	Accounting	Accounting, maintenance of subsidiary ledgers.
(b)	Revenue Control	Recovery of arrears of revenue, maintenance of revenue ledgers.
(c)	Fixed Assets Control	Maintenance of Register of Assets.
(d)	Contract Administration	Payment of taxes for contracts, execution of activities as per agreement.
(e)	Humann Resource Management	Action to be taken to fill staff vacancies.