

Seruwila Pradeshiya Sabha
Trincomalee district

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year 2017 had been submitted for the audit on 23 March 2018 and the report of the Auditor General had been sent to the Chairman of on 17 August 2018.

1.2 Qualified Opinion

In my opinion except for the effect on the matters described in the 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 2017 and its financial performance for the year then ended in accordance with the Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Policies

The Accounting Policies used in preparing the financial statements had not been disclosed with the financial statements.

1.3.2 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) Although the buildings valued Rs.7,653,261 had been built by the Council for the year under review, it was taken in to the final accounts as Rs.7,097,701 and as such the Land and Buildings were understated by an amount of Rs.555,560.
- (b) Although the Fixed Deposit Interest income for the year under review amounted to Rs.1,230,544, it was taken in to the final accounts as Rs.1,097,508 and as such the income was understated by an amount of Rs.133,036.
- (c) The balance amounting to Rs.284,533 in the Bank account as at 31 December 2017 had not been taken to the final accounts.
- (d) An amount of Rs.1,982,371 had been shown in the balance sheet as creditors for 10 contracts signed in December 2014 of those the works were not started.
- (e) Although an amount of Rs.350,438 had been paid to creditors, it was shown in the balance sheet at the end of the year as an amount to be paid.

1.3.3 Lack of Documentary Evidence for Audit

Not submitting Information for audit

Due to non-submission of information retention money of three contract totalling Rs.608,336 could not be satisfactorily vouched in audit.

1.3.4 Non-compliance of Laws, Rules and Regulations

Instances of non-compliance of Laws, Rules, Regulations and Management decisions are shown below.

Reference to Laws, Rules, Regulations -----	Non compliance -----
(a) Series of Rule of the Pradeshiya Sabha (Finance and Administration) of 1988 published in the Gazette Extraordinary No. 554/5 of 17 April 1989	
(i) Rule 13	A certified copy of the budget before the commencement of the relevant year had not been presented for audit.
(ii) Rule 59	An annual survey had not been conducted by the Council regarding the Businesses and Industries carried out within the authority area of the Council.
(iii) Rule 143	Separate accounts had not been opened for repayable tender deposits, retention money, library deposits and other deposits.
(iv) Rule 217	The Fixed Assets Register had not been updated.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 396 (d)	Action had not been taken for 3 cheques valued at Rs.695,470 which had been issued before 6 months but not submit for payment.
(c) Public Administration Circular No.30/2016 dated 29 December 2016	Fuel consumption test of 04 vehicles belonging to the Council had not been done

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, Revenue over the Recurrent Expenditure of the Council for the year ended 31 December 2017 amounted to Rs.14,562,806 as compared with the corresponding Revenue over Recurrent Expenditure for the preceding year amounted to Rs.6,645,655.

2.2 Financial Control

At the end of each month of the year 2017, There was a balance ranging from Rs. 8 million to Rs. 19 million in the current account maintained by the Council and the Council had not drawn the attention to invest this excess money in a fruitful investment and earning an income

2.3 Income Administration

2.3.1 Estimated Income, Billed Income, Actual income and Arrears of Income

The details of the Estimated Income, Billed Income, Collected Income and Arrears of income for the year under review and the preceding year are shown below

Source of Income	2017				2016			Arrears as at 31 December
	Estimated Income	Billed Income	Collected Income	Total Arrears as at 31 December	Estimated Income	Billed Income	Collected Income	
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Assessment and tax	-	-	-	-	10	2.5	2.5	-
Rent	3,835	3,958	3,138	165	3,245	3,195	2,633	953
License fees	565	1,605	816	-	656	720	720	-
Other Income	7,186	16,069	12,538	2,269	4,326	10,200	9,332	-

2.3.2 Stamp Fees

Action had not been taken to identify and collect stamp fees from the Chief Secretary of the Eastern Provincial Council as at 31 December 2017.

2.3.3 Rent

Action had not been taken to collect rent amount of Rs.894,895 from shops and rest houses of the Council from 2011 to 2016 even up to 17 May 2018.

3. Operational Review

3.1 Performance

Findings revealed after the analyzing the execution of activities that should be executed by the Pradeshiya Sabha in accordance with such as regularize and control of Health of the General Public, Common Utility Services and Public Road Facilities and Maintenance of People's Prosperity, Welfare and Development are given below.

(a) By Laws

Although by laws should be enacted for 28 activities according to Section 126 of Pradeshiya Sabha Act, such by laws had not been enacted even up to 31 December 2017.

(b) Action Plan

An Action Plan for the year 2017 had not been prepared.

(c) Solid waste management

An amount of 30 tons of garbage is disposed by the Council and action had not been taken to dispose of the garbage according to the recommendations of the Central Environmental Authority. Also due to the eating of the garbage by the animals living in the area, there is a threat to the existing of wildlife of the area. Further, action had not been taken by the council to build an electric fence around the land allocated by the Department of Wildlife and properly dispose of garbage recommended even up to 17 May 2018.

(d) Environmental Problems

Issuing Environmental License

In terms of the provisions of Section 23 “A” of the National Environmental Act No. 47 of 1980 as amended by the Act No. 53 of 2000 and Act No. 56 of 1988, the environmental protection license should be obtained in the case of implementing enterprises such as rice mills, carpentry and cement-based industries. There were 33 such enterprises operating in the authority area of the Council without licenses. The Council had not taken necessary action to address potential environmental issues

(e) Goals of Sustainable Development

Although attention had been given by the Council to Protect the environment as a goal of sustainable development, action had not been taken to identify a proper program and related criteria to carry out the tasks.

3.2 Human Resource 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 Ayurveda Doctor which had been left vacant since June 2014.
- (b) Action had not been taken to fill the vacancies for more than due 5 years for the posts of Librarian, Electrician, and Revenue Inspector.

3.3 Operational Inefficiencies

Action had not been taken by the Council to fill the vacancy arisen after the Ayurveda Doctor of the Ayurveda Medical Center was transferred out who treated near 1200 patients according to the statistics of the medical center conducted in the Council building. The medical center was closed down from June 2014 and the service was lost to the people within the council area of authority and it was unable to provide the people with the necessary services and uplift their health level. Feather, validity period of 22 drug items valued at of Rs. 45,078 had been expired due to closing of the Ayurwadic Medical Center.

3.4 Assets Management

3.4.1 Assets not Taken Over

Although the playgrounds, public wells, community halls, water tanks, crematoriums, and public marketplaces valued at Rs.87,959,749 had been built action had not been taken to take over the ownership of the lands to the Council.

3.4.2 Underutilized Assets

A double cab belonging to the Council valued at Rs.675,000 due to the front bar and the front tires being illegible for run and a Mahendra cab, valuing Rs.100,000 due to a problem in the diesel pump had been kept idle for last 4 years.

3.5 Un-Economical Transactions

A sum of Rs.938,000 had been spent by the Council on 10 March 2014 for the installment of a LED advertisement board with the intention of beautification and to earn on income to the Council. Due to the negligence such as not having the sufficient lighting to operate the advertisement board and the maximum amount of advertisements to be displayed, the advertisement board was inoperative since 17 March 2014. As such the amount of money spent for this had been fruitless.

3.6 Procurement

3.6.1 Contract Administration

Details are as follows

- (a) A contract valued to Rs.27,709,341 (without VAT) had been awarded on 17 December 2012 for the construction of a two-story building for the office of the Pradeshiya Sabha under the Puraneguma program on a basis of complete the work within 06 months. Although an amount of Rs.1,842,680 had been paid for the windows and doors of the building which were not according to the specifications. Further, a sum of Rs.630,000 had been estimated for grill works of the windoors that had not been done. Also, action had not been taken to retain and send an amount of Rs.75,165 to the Commissioner of Inland Revenue for Construction Industry Guarantee Fund Levy relating to the Rs.30,065,945 paid to the contractor in terms of the Part III of No.3 of 2005 Finance Act (under the Amendments Act No.13 of 2007 and No.18 of 2009). Further it was observed that the roof of the building had not been properly covered and in rainy days water leaking into the building causing inconvenient. Also, due to leaking in the toilets it was unusable. Retention fee of Rs.1,385,407 had been released without get completing the above-mentioned defects

- (b) A contract valued at Rs.5,613,650 had been awarded on 18 July 2016 for the construction of a library for the People of Lingumpura by the Council under the Puraneguma Program. Although the floor of the building was prepared using cement, due to poor standard it was observed that parts of the floor had been cracked. Action had not been taken to repair those defects and supply water and electricity facilities. Further, the work should be completed by 14 November 2016, but the completion certificate was issued on 15 March 2017. Action had not been taken to deduct demurrages amounting to Rs.336,819 for the 4 months delay. Also, action had not been taken to commence the work of the library even up to 15 May 2018.
- (c) A contract valued at Rs.1,563,767 had been awarded to a Community Based Organization for the construction of 2 shops in front of the bus stand of Serunuwara under the Provisions of National Program of Strengthening Pradeshiya Sabha – 2017 of the Ministry of Provincial Councils and Local Government. Although according to estimate, supplying electric bulbs and fixing grills windows were included those works had not been completed even up to 09 May 2017. Also it was observed in audit that the cement used for the floors and walls were cracked.
- (d) A contract valued at to Rs.1,439,931 had been awarded to a Community Based Organization for the repair of sub office of Lingumpura Pradeshiya Sabha under Provisions of National program of Strengthening Pradeshiya Sabha- 2017 of the Ministry of Provincial Council and Local Government taken by the Community. The work item No.09 a water supply, fixing windows and fixing a water tank of volume of 1000 liters valued at Rs. 54,000 had not been completed. But the Council had certified that the work was finished, and a bill of payment was sent to the Commissioner of Local Government. Although the work of the sub office had been completed on 26 December 2017, office work was not started even up to 15 May 2018.
- (f) A public toilet had been constructed spending an amount of Rs.1,489,383 in the car park of the Sacred Land of Seruwawila under Provisions of National program of Strengthening Pradeshiya Sabha – 2017 of the Ministry of Provincial Council and Local government. Although the work of the contract had been completed on 04 December 2017, action had not been taken by the Council to tender out or to maintain it under the supervision of council workers and as it was left idle even up to 15 May 2018.
- (g) According to No.FC/3/3/2013 Financial Commission Circular dated 26 July 2013 the maximum amount of a contract that can be given to a Community Based Organization was Rs.2,000,000. However, the Council had given contracts exceeding that limits to 3 such organizations.
- (g) Although 10 contracts of estimated at Rs.1,982,371 had been signed for construction under the Council Funds in December 2014, THOSE contracts had not been started even up to 15 May 2018.

4. Systems and Control

Special attention should be given to the following areas of system and control.

System	Weakness
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a. Accounting	Accounting, maintenance of supplementary ledgers
b. Revenue Collection	Collection of arrears of revenue, maintenance of Income Registers
c. Fixed Deposit Control	Maintenance of an assets register
d. Contract administration	Payment of contract tax, get the work done according to agreement.
e. Human Resource Management	Action to fill the employee vacancies