

Seruwila Pradeshiya Sabha
Trincomalee District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2018 had been submitted to audit on 28 February 2019 and the summarized Auditor General's Report, Management Report relating to that were sent to the Chairman on 27 May 2019 and 31 May 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph of Basis for Qualified Opinion, financial statements give a true and fair view of the financial position of the Seruwila Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

1.3.1 Accounting Policies

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
The financial statements did not disclose the accounting policies adopted by the Council in preparing the financial statements.	Accounting policies should be disclosed in the financial statements.	Comments not made by the Accounting officer.

1.3.2 Accounting Deficiencies

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) A bank account balance of Rs.284,533 in respect of a construction project as at 31 December 2018, had not been taken to final accounts.	The remaining money should be taken to the Sabha fund or used for effective construction.	I state that due to the balance of the bank account of Rs.284,533 as at 31 December 2018 had not been taken into account, action will be taken to close the account and transfer the balance to the Sabha account.

- (b) Assets amounted to Rs.1,602,577 purchased during the year 2018 were credited to the Accumulated Fund. It should be credited to the capital contribution to income account for the assets acquired during the year. This will be corrected in the preparation of final accounts for the year 2019.

1.4 Non-compliance

1.4.1 Non-compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
<p>(a) Pradeshiya Sabha Regulations (Finance and Administration) of 1988</p> <p>(i) Regulation No. 59</p>	<p>A survey of businesses and industries in the council area had not been conducted at the beginning of each year.</p>	<p>A survey of businesses and industries in the council area should be conducted at the beginning of each year.</p>	<p>There are two posts for Revenue Officers in the Sabha and one vacant post. This problem has arisen due to the collection of revenue of the council and all duties done by one officer. However, I would kindly mention that we will be able to complete the survey this year.</p>
<p>(ii) Regulation No. 217</p>	<p>The fixed asset register was not updated.</p>	<p>The fixed asset register should be updated accurately.</p>	<p>A fixed assets register is being maintaining at present and action will be taken to correct shortcomings in the documents and maintained in updated manner.</p>
<p>(b) National Budget Circular No.128 dated 24 March 2006.</p>	<p>A procurement plan had not been prepared for the year 2018 by the Sabha.</p>	<p>A procurement plan should be prepared for the year.</p>	<p>Action will be taken to prepare a procurement plan in future.</p>

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the revenue over recurrent expenditure for the year ended 31 December 2018 amounted to Rs. 5,913,108 when compared with the revenue over recurrent expenditure of the preceding year amounted to Rs. 14,562,806.

2.2 Financial Control

Audit Observation	Recommendation	Comments of the Accounting Officer
In the current account maintained by the Council, a sum of Rs. 13 million to Rs. 17 million existed at the end of each month from January 2018 and the council did not focus on earning revenue by investing the excess money in a fixed deposit.	Action should be taken by the Sabha to invest in a safe investment channel that will generate revenue.	I would kindly state that this matter be referred to the Pradeshiya Sabha and that action will be taken according to the decision given by the Council.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Billed Revenue, Collected Revenue and Arrears Revenue

Details of estimated revenue, billed revenue, collected revenue and arrears of revenue relating to the year under review and previous year as per the information submitted are shown below.

Revenue Source	2018				2017			
	Estimated Revenue	Billed Revenue	Recovered Revenue	Arrears as at 31 December	Estimated Revenue	Billed Revenue	Recovered Revenue	Arrears as at 31 December
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Rent	3,835	3,958	3,138	165	3,815	4,166	3,842	324
License Fee	565	1,605	816	-	415	433	433	-
Other Revenue	7,186	16,069	12,538	2,269	7,183	11,967	5,788	4,910

2.3.2 Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) The rent receivable from the shops and rest house belonging to the council from the year 2011 to the year 2017 amounted to Rs. 981,314 and action had not been taken to recover that even by 13 March 2019.	Action should be taken to recover the rent receivable amount from the shops and rest house belonging to the council.	Approval was obtained to pay for a lawyer to take legal action regarding this and I kindly inform that the legal action will be taken to settle the arrears in the future.
(b) The council had earned an income of Rs. 832,325 in 2018 by renting a motor grader at a rate of Rs.3,500 per hour. However, the Sabha had lost an income of Rs. 166,460 as the rent had not been paid as per the prices sent by the District Secretariat.	Action should be taken to comply with the prices fixed by the District Secretariat.	This money is charged to the people of Seruwila Pradeshiya Sabha as a concession from the Motor Grader. This fee will be charged with the cost of transportation. However, I would kindly inform you that action will be taken to comply with the prices fixed by the District Secretariat in the future.
(c) The JCB machine was rented out by the council at Rs. 3,000 per hour and earned an income of Rs. 392,250 in the year 2018. However, the council had lost an income nearly Rs.65,375 by not renting the machine according to the prices sent by the District Secretariat.	Action should be taken according to the prices sent by the District Secretariat	Comments had not been made by the Accounting Officer.

2.3.3 Courts Fines and Stamp Duty

(a) Courts Fines

Audit Observation	Recommendation	Comments of the Accounting Officer
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Action had not been taken by the Sabha to recover court fines of Rs. 4,909,712 to be paid from the Chief Secretary of the Eastern Provincial	Action should be taken to recover receivable courts fines.	We have made a request to obtain the relevant amount and I hope that the amount will be received in future.

Council and other authorities as at
31 December 2018.

3. Operational Review

3.1 Performance

Following matters were revealed relating to the functions which should be performed by the Sabha to regulate and administrate public health, public utility services and public roads and luxury, convenience and welfare of the people under section 3 of the Pradeshiya Sabha Act.

(a) By-Laws

Audit Observation	Recommendation	Comments of the Accounting Officer
Although sub rules are to be imposed to accomplish 28 key matters in respect of Section 126 of the Pradeshiya Sabha Act, sub rules had not been imposed even by 31 December 2018.	Action should be taken to impose By-laws.	I kindly inform you that steps will be taken to draft by-laws in the future.

(b) Action Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
An annual action plan had not been prepared for the year 2019.	An annual action plan should be prepared	I kindly inform you that an annual action plan will be prepared in future and action will be taken accordingly.

(c) Solid Waste Management

The following matters were revealed during the audit of the waste management of the Seruwila Pradeshiya Sabha.

Audit Observation	Recommendation	Comments of the Accounting Officer
On the request of the Chairman of the Pradeshiya Sabha, the Department of Forest Conservation has allocated 0.4 hectares of land in Seruwila, Bittuwa area in the year	Action should be taken to dispose wastes in a proper manner.	Although the Forest Department has given approval in the year 2014 to allocate about 0.4 hectares of land for the construction

2013 for Solid Waste Management, the garbage collected by the Sabha was disposed into a land belonging to the Department of Wildlife without disposing to the above land.

of a compost plant, Action has not been taken to hand over the land in writing to this Sabha. I kindly inform you that When inquiring about this they orally confirmed that it is necessary to obtain an environmental report before constructing a compost plant in the area.

(d) Sustainable Development Goals

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
One of the aims of Sustainable development is to ensure good health for people of all ages. Even though reducing low birthweight is one factor that helps to ensure it, when considering the number of underweight births in Seruwila Pradeshiya Sabha it has increased steadily from the year 2015 to the year 2018 and it has impeded the growth of children, but the council has not yet taken measures to reduce it. Details of low birth weight births are attached.	The Sabha should work towards achieving the Sustainable Development Goals.	I would kindly mention that necessary steps will be taken to mitigate this situation by drawing to the attention of the Sabha on Low birthweight in Seruwila area.

3.2 Human Resource Management

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
(a) The Council has not taken action to appoint a suitable officer for the vacant post of Ayurveda Doctor which was vacant since August 2012.	It should be fill the vacancy of the post of Ayurveda Doctor.	I kindly inform that the action will be taken in future to fill these vacancies.

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| (b) | Action had not been taken to fill the vacancies in the posts of Librarian, Electrical Technician and Revenue Inspector which existed for 5 years. | It should be fill the existing vacancies. | I kindly inform that the action will be taken in future to fill these vacancies. |
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3.3 Operational Inefficiencies

----- Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----	
(a)	Even though according to statistics of the Ayurveda Medical Center in the Pradeshiya Sabha building, about 1200 patients are treated annually, the Sabha did not take steps to appoint a doctor after the Ayurveda Medical Officer had transferred to another location. Due to this reason the medical center was closed from June 2014, the objective of improving their health status by providing services to the people of the area could not be fulfilled. Furthermore, due to the closure of the Ayurveda Medical Center, 22 drugs worth Rs. 45,078 had become unusable.	It should be fill the existing vacancy of the post of Ayurveda Medical Officer	I kindly inform you that action will be taken in future to Get an Ayurveda doctor and function the Ayurveda Medical Center properly.
(b)	Six shops of Supermarkets belonging to the Council have been rented out for the same persons for the year 2018 without signing contracts for 2018 who had leased the previous year. However, out of those shops, rent amounting to Rs. 85,580 had to be recovered from 02 shops and due to non-signing of the agreements, legal action could not be taken for recovering arrears.	Agreements must be signed before leasing and the outstanding amount should be recovered.	I kindly inform you that arrangements have been made to obtain these arrears and that it was started to recover these arrears in installments.
(c)	The Council had purchased a fingerprint machine on 07 March 2017 for a sum of Rs.49,500 and in the meantime, after about 03 months of using the machine, it was defunct and the Sabha had not	The fingerprint machine should be repaired and action should be taken to obtain monthly copies.	We kindly inform you that the fingerprint machine will be repaired and used in the future.

taken steps to repair and use the machine until now.

3.4 Assets Management

3.4.1 Assets not Transferred

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>Although the Sabha had constructed stadiums, public wells, community halls, water tanks, cemeteries and public markets, on 25 lands belonging to the Department of Wildlife and the Divisional Secretariat for a sum of Rs.68,008,546 by 31 December 2018, the legal ownership of these lands had not been taken over by the Sabha.</p>	<p>Legal ownership of the land should be taken over by the council.</p>	<p>Since the land has been handed over to the Pradeshiya Sabha, title deeds have not yet been issued, coursed to failure to submit title deeds. However, title deeds have been requested from the Divisional Secretary Seruwila and I would kindly state that the information mentioned by the Divisional Secretary has already been forwarded to the Divisional Secretary.</p>

3.4.2 Idled and Under Utilized Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>Five vehicles belonging to the council have been inactive for over a year and action has not been taken to repair them or to take any other appropriate measures.</p>	<p>Action should be taken to repair them or to take any other appropriate measures.</p>	<p>Action will be taken to repair these vehicles in the future according to the budgetary allocation.</p>

3.5 Uneconomic Transactions

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>The Pradeshiya Sabha had spent a sum of Rs.938,000 from the Sabha fund to install an LED billboard for advertising for the purpose of beautifying the city</p>	<p>Appropriate arrangements should be made to the best possible use.</p>	<p>This LED display was purchased and installed in the year 2014 and it has since been repaired several times. It was established for</p>

and generating revenue for the Sabha. It has been defunct since 17 March 2014, due to lack of consideration of the amount of light to be used and the quantity of advertising. Therefore, the expenditure incurred for this purpose was fruitless.

the purpose of generating revenue through displaying advertisements and but inability to generate the expected income and due to the high maintenance cost, no maintenance has been done for a long time.

However, if the LED screen can be set up at the present time, it could be earn a considerable income. Therefore, I kindly inform you that the LED screen will be repaired and used with the approval of the Sabha.

3.6 Contract Administration

3.6.1 Construction of Lingapuram Library

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Although the contract should be completed and handed over to the Sabha by 14 November 2016, The work completion certificate was issued on 15 March 2017. Accordingly, late fees of Rs.336,819 for the delayed 4 months has not been deducted.	Should deduct delay charges.	The contractor has requested the extension of time on 12 November 2016. It has been requested to extend the time from the Assistant Commissioner of Local Government relating to this. Accordingly, it is believed that the written approval for the extension of the date has been obtained and action will be taken to investigate and report it in due course.. The retention money amounting to Rs.281,000 has to pay to the contractor and I kindly inform that the amount will not be released until the approval of the extension is verified.

- (b) The contractor had been paid Rs. **35,000** for the installation of the White Board for the library, but since it was not fixed, the money had been overpaid. Action should be taken to recover overpayments. I kindly inform that a Sign Board was maintained in the temporary sub office of the contractor for recording workplace plans under P14, recording daily construction work, recording the engage workers in their workplace, and recording daily workloads