

Seethawaka Pradeshiya Sabha

Colombo District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented to audit on 21 March 2019 and the summary report and the detailed Management Audit Report of the Auditor General on the financial statements had been issued to the Chairman on 31 May 2019 and 31 August 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in the Basis for qualified Opinion Section of this report, the financial statements give a true and fair view of the financial position of the Seethawaka Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year the ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

(a) Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) The discount received in purchasing of library books amounting to Rs.258,111 had been brought to account as capital expenditure.	Should be rectified.	Action will be taken not to account the discounts as above from the year 2019.
(ii) The library books valued at Rs.476,055 received as donations had been brought to account as capital expenditure.	Should be rectified.	Action will be taken not to account the donations as above from the year 2019.
(iii) The value of the buildings constructed by the Sabha in old lands had not been	The respective registers should be updated and the value	The accounting of the value of the constructions of the buildings constructed by

shown in the accounts.	of constructions should be brought to account.	the Sabha in the lands belonging to the Sabha is being commenced at present.
(iv) Even though, a sum of Rs.2,699,864 had been shown as interest receivable for the fixed deposits as at 31 December 2018, the interest received for the current year had also been included in that balance.	Should be rectified.	Excess accruals amounting to Rs.2,699,864 will be adjusted to the final account in the year 2019 by a journal entry.
(v) Five fixed assets valued at Rs.4,991,346 had not been brought to account in the financial statements of the year under review.	Action should be taken to account.	It will be included to the Fixed assets account by the journal entry No.4 of 2019.

(b) Contingent Liabilities

Audit Observation

As the entertainment tax had not been paid by the Leisure World Water Park Private Company established in the Kaluaggala Village of authoritative area of the Sabha, the Sabha had instituted a law suit against the owner of the entertainment park in the District Courts Avissawella while the owner also had instituted a lawsuit against the Sabha. Those lawsuits had not finalized even up to 01 April 2019 but it was not disclosed in the financial statements as a note.

Recommendation

The contingent liabilities should be disclosed in the financial statements.

Comments of the Accounting Officer

Noted down to disclose in the final accounts of the year 2019 as a note or to take action if decision of the case was received.

1.4 Non-compliances

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
a) Paragraph 3.1 of the Public Administration Circular No.30/2016 dated 29 December 2016.	The fuel tests of 15 motor vehicles existed in running condition belonging to the Sabha had not been carried out.	Action should be taken in terms of the Circular.	The fuel tests will be carried out correctly once in 06 months.
b) Circular of Western Provincial Commissioner of Local Government No. LGD/08/2016 dated 11 July 2016	The land and properties belonging to the Sabha had not been identified physically.	Action should be taken in terms of the Circular.	A committee had been appointed thereon and the land and buildings will be identified by that committee and action will be taken to record in the fixed assets registers and shown in the accounts.
c) Western Provincial Finance Circular No.09/2015 dated 24 August 2015.	Action had not been taken as per the Circular in respect of 03 motor vehicles to be disposed.	Action should be taken in terms of the Circular.	Action will be taken to obtain approvals for repairs of the vehicles for which to be repaired and to dispose the vehicles for which to be disposed.
d) The planning Circular No. 15 of the Urban Development Authority dated 18 November 1993.	The service charges recovered by the Local Authorities had not been deposited in a bank account for Urban Development and had not been utilized for identified projects.	Action should be taken in terms of the Circular.	As estimate of Rs.10 million had been prepared to construct the Public Lavatory System in the Hanwella Town. As the money in the account was not sufficient this project

will be implemented after obtaining the balance provisions.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha, for the year ended 31 December 2018 amounted to Rs. 25,357,963 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.45,556,388.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and the Arrears of Revenue

Information with regard to the estimated revenue, billed revenue, collected revenue and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2018				2017			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	32,149,000	26,875,112	25,993,951	7,490,219	24,252,000	25,781,592	26,989,385	6,227,647
Lease Rent	23,445,000	24,799,612	24,234,929	885,648	19,289,000	19,298,329	19,909,434	196,929
Licence Fees	2,016,000	2,122,004	2,122,004	-	2,002,000	2,148,631	1,700,450	-
Other Revenue	212,562,000	198,691,312	212,898,244	130,504,124	191,713,000	159,244,910	158,491,619	120,510,509
Total	270,172,000	252,488,100	265,249,128	138,879,991	237,256,000	206,473,462	207,090,888	126,935,085

2.2.2 Rates and Taxes

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
<p>(a) Rates -----</p> <p>The balance of arrears of rates as at the end of the year under review amounted to Rs.7,291,836 and it included the arrears of rates relating to the previous years amounted to Rs.5,407,530. Action had not been taken by the Sabha to recover this 74 per cent of arrears of rates.</p>	<p>Prompt action should be taken to recover arrears of revenue.</p>	<p>The targets to recover arrears of rates were given to sub offices and the progress of collecting revenue is being discussed at the progress review committee. The arrears of rates amounting to Rs. 266,181 out of the arrears as at 30 December 2018 had been recovered as at 30 April 2019 and the activities such as giving lists of arrears to restraining officers and restraining activities of properties also carried out.</p>
<p>(b) Acreage Tax -----</p> <p>The arrears of acreage tax in the Padukka Sub office as at 31 December 2018 amounted to Rs.188,235 and a sum of Rs.176,125 out of that had related to the period for over 10 years. Action had not been taken to recover this arrears up to now.</p>	<p>Prompt action should be taken to recover arrears of revenue.</p>	<p>Several actions had been taken to recover this arrears of acreage tax and action has been taken to identify the properties without owners and has been referred to the office of the Assistant Commissioner of Local Government to write off those.</p>

2.2.3 Courts Fines

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
<p>The Sabha had not taken required action to</p>	<p>Prompt action should be taken to</p>	<p>The money relating to the year 2014 was received on 12.02.2019 The</p>

recover the balance of Court fines receivable since for a period ranging from 01 year to 05 years amounting to Rs.52,044,000.

recover arrears of revenue.

schedules relating to the period from January to June 2015 had been referred to the Western Provincial Commissioner of revenue. The schedules relating to the period from July to December 2015 are being prepared at present. The schedules relating to the period from January to December 2016 has been referred to Magistrate Courts, Avissawella to examine. The schedules for the years 2017 and 2018 are being prepared in future.

3. Operating Review

3.1 Performance

The matters revealed in respect of execution of activities that should be executed under Section 3 of the Predeshiya Sabha Act such as regularize and control over the matters of public health, public utility services and public roads and the comfort, facilities and well being of the people are given below.

(a) Non-execution of Expected Output Level

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Even tough a sum of Rs.353,922 had been allocated from the annual estimate 2018 to construct the road from upper Mawalgama to culvert near the rail crossing of Kahahena road, that road had not been completed even by April 2019.	The construction work should be completed as planned immediately.	A portion of respective work had been constructed.

(b) Project Works not Commenced

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
The works of 09 projects of which estimated value amounting to Rs. 2,732,430 had not been commenced in the year 2018.	The construction work should be completed as planned immediately.	One project had been cancelled and the works of balance 07 projects will be completed in future.

(c) Abandoned Activities

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Nineteen activities which estimated value amounting to Rs.27,863,489 had been abandoned in the year 2018.	In preparing plans the works to be executed should be identified correctly.	The relevant works had been cancelled.

(d) Sustainable Development Goals

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Even though, the plans had been prepared according to the 2030 Agenda in respect of Sustainable Development Goals and the progress reports relating to the year under review had been prepared the targets of the items in respect of utility services, protection of forest resource, protection of electricity and the progress there on had not been reported.	The progress reports should be furnished to audit.	It will be executed in the year 2019.

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) Environment Protection Licences</p> <p>Even though, the examination fees amounting to Rs.38,543 had been paid by 89 business owners to obtain environmental protection licences who should be obtained the licences action had not been taken by the Sabha to carry out field inspections to give environmental protection licences.</p>	<p>Prompt action should be taken to give environmental protection licences.</p>	<p>The complaints were received for 02 businesses and 02 businesses had been referred to next environmental committee. Others were approved by the environmental committee.</p>
<p>(b) Establishment of Community Centres</p> <p>Even though, the instructions were given to the representatives of each area of the Sabha to establish community centres in the Grama Sewa Divisions of the authoritative area of the Sabha. The Community centres had not been established during the year 2018.</p>	<p>Action should be taken to establish community centres.</p>	<p>The constitution of the Community Centres has been given to the newly appointed members in the year 2018, and action had been taken to encourage them. Action had been organised to establish community centres for the year 2019 before 16 February 2019.</p>

3.3 Human Resources Management

Vacancies and Excesses of Staff

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>The approved cadre of the Sabha as at 31 December 2018 amounted to 222 and 29 vacancies had existed in primary and secondary levels. The number of actual cadre had been 308 and out of that 115 employees were substitute employees.</p>	<p>Action should be taken to fill vacancies and to regularize the excess employees.</p>	<p>Secondary level officers - 06 Three posts of librarian and 01 post of development officer had remained vacant. Those vacancies had been informed to Commissioner of Local Government. There is a lawsuit in the Supreme Court in respect of recruitment of the revenue inspectors and action could not be taken there on until the final decision received. Action is being taken to recruit for the post of Health Administrator which remained vacant. Primary level employees - 23 Twenty three vacancies had existed in the posts such as 05 drivers, 11 field labourers, 04 health labourers, assistant librarian, heavy vehicle operator and caretaker of the cemetery and action will be taken to recruit the employees in future.</p>
		<p>Employees temporary / contact basis - 115 This substitute employees are being deployed to cover the duties in the instances of permanent employees are on leave.</p>

3.4 Operating Inefficiencies

Assessment of Trade Stall Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>The assessment of the trade stalls of the Sabha had been made so as to implement from 01 November 2018; Nevertheless, the owners of the trade stalls. had rejected the new assessment and a sum of Rs.282,075 had been deprived by the Sabha.</p>	<p>Prompt action should be taken to recover trade stall rent at the revised assessment value.</p>	<p>The monthly rent of the trade stalls of the new trading complex in Hanwella had been revised to be implemented from 01 September 2018 and the owners of the trade stalls had been informed. But the appeals furnished by the owners, informing that they could not be paid the revised rent had been referred to the Department of Valuation The revised valuation was received at present.</p>

3.5 Assets Management

3.5.1 Idle and Under-utilized Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) A tractor and a trailer of which value not mentioned given by the Western Provincial Waste Management Authority had been given to a private garage in Hanwella from the year 2014 and it was dismantled without being repaired, and action had not been taken to repair and to be utilized even by August 2019.</p>	<p>The maximum benefit should be obtained from the resources.</p>	<p>When handing over the tractor to the Sabha which referred to Kaduwela Municipal Council on 10 September 2018 for repairs and after completion of repairs other tractor will be referred for the Kaduwela Municipal Council for repairs.</p>

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| (b) | Action had not been taken up to now to bring back the tractor No 49-0266 to the Seethawaka Predeshiya Sabha which handed over to the Kaduwela Municipal Council for repair activities. | The maximum benefit should be obtained from the resources. | According to a decision taken in the Committee of preparation of Finance and Policies held on 27.08.2018 the tractor No.49-0266 had been referred to Kaduwela Municipal Council for repairs on 10.09.2018 and they informed us that they can complete the repairs within next 14 days. |
| (c) | Twenty two microphones which were in working condition existed in the hall of the Sabha had been removed after fixing of new loud speakers for the Sabha hall in the year 2018 and those had been kept idle in the stores. | The maximum benefit should be obtained from the resources. | The 22 microphones remained in the stores had been retained to utilize for the consultative committee meetings and it will be used after receiving the table which had been ordered already. |
| (d) | The old building utilized prior to the year 2005 had remained unutilized for over a long period. | The maximum benefit should be obtained from the resources and a suitable action to be taken. | Due to non-availability of a lavatory system for the Functions Hall of the Sabha which only available for the Hanwella Town of present, it was prepared plans to establish a lavatory system for males and females in a portion of the upper floor of this building and to maintain the ground floor as stores. |

3.5.2 Motor Vehicle Control

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
The records had not been entered in to the vehicle log book or Register of Losses and Damage in respect of the	Action should be taken in terms of Financial Regulations.	Action will be taken in terms of the instructions given in Financial Regulation 104 and 109 in respect of vehicles

accident caused to the cab vehicle collided with a three wheeler in the Boralugoda area.

accidents occur in future.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
----- An adequate internal audit had not been carried out.	----- Efficient internal audit system should be implemented.	----- Supervision activities is being carried out in respect of internal audit queries. and action had been taken to implement as per the internal audit plan prepared for the year.