

Seruwila Pradeshiya Sabha
Trincomalee District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2019 had been submitted to audit on 28 May 2020 and the summarized Auditor General's Report relating to that was sent to the Chairman on 27 August 2020 and the detailed management report sent on 27 August 2020.

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 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

(a) Accounting Policies

Audit Observation	Recommendation	Comments of the Accounting Officer
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The accounting policies used in the preparation of financial statements were not disclosed along with the financial statements.	The accounting policies used in the preparation of financial statements should be disclosed.	I kindly inform you that action will be taken to rectify this.

(b) Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
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(i) A sum of Rs. 8,033,472 of receivables and payables had been omitted from the accounts relating to 05 development proposals implemented during the year under review.	Should be corrected.	I kindly inform you that action will be taken to rectify this.
(ii) Payable Expenditure of Rs.65,734 as on 31 December 2019 was not mentioned in the financial statements of the year under review.	Should be corrected.	I kindly inform you that action will be taken to rectify this.

- (iii) The opening balance of the accumulated fund account is overstated by Rs. 2,715,468. Should be corrected. I kindly inform you that action will be taken to rectify this.
- (iv) The total amount of fixed assets purchased during the year 2019 was Rs.838,517 which was credited to the Cumulative Fund without being credited to the Revenue Contribution Account. Should be corrected. I kindly inform you that action will be taken to rectify this.
- (C) Unreconciled Accounts
 There was a difference of Rs.137,660 between the trade license revenue in the financial statements and the schedules. Should be corrected. Revenue inspectors and cashiers are charged separately when charging for trade licenses. This situation has arisen due to the fact that the trade license revenue details charged by the cashier are not included in the relevant register. I kindly inform you that action will be taken to rectify this.

1.4 **Non-compliance with Laws, Rules and Regulations**

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
(a) Pradeshiya Sabha Act No. 15 of 1987			
Section 24	The roads had not been inventoried and gazette.	Action should be taken to gazette the road inventory.	I kindly inform you that a road inventory has been prepared and all roads will be gazette in the future.
Section 159	No action had been taken to recover the arrears income of Rs.6,979,238 due at the end of the year under review.	Action should be taken to recover the arrears without delay.	I kindly inform you that action will be taken to recover the arrears in future.

(b) **Pradeshiya Sabha Regulations (Finance and Administration) of 1988 as published in the Gazette Extraordinary No. 554/5 of 17 April 1989**

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| (i) Regulation No. 59 | A survey of businesses and industries in the Sabha area had not been conducted at the beginning of each year. | A survey of businesses should be conducted. | I kindly inform you that steps have been taken to conduct a survey on business and industry from the year 2020. |
| (ii) Regulation 217 | A fixed assets register had not been updated. | A fixed asset register should be updated. | I kindly inform you that action will be taken to update the Fixed Assets Register. |
| (iii) Regulation 218 | All land and buildings were not surveyed every year. | Land and buildings should be surveyed annually. | I kindly inform you that all lands and buildings will be surveyed once a year. |

(c) **Financial Regulations of the Democratic Socialist Republic of Sri Lanka**

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| (i) Financial Regulations 103(i) (a) and 104(i) | Even though, a loss of Rs.142,930 had been occurred from 2 vehicle accidents, action had not been taken as per financial regulations. | Financial regulations must be followed. | I inform you that I will take action in accordance with the regulations applicable to financial Regulations 103 (i) (a) and financial Regulations 104 (i). |
| (ii) Financial Regulations 110 | The damages of Rs.108,194 incurred on two occasions were not recorded in the damages register. | Financial regulations must be followed. | I kindly inform you that action will be taken to record the relevant damages in the damages register. |
| (iii) Financial Regulations 571 | Four General deposits of Rs. 850,080 for more than two years had not been dealt with in accordance with Financial regulations. | Financial regulations must be followed. | I kindly inform you that action will be taken to take the relevant provisions into the Sabha Fund. |

- (iv) Financial Regulations 880 Officers who should keep security deposits had not been deposited employee securities. Financial regulations must be followed. I kindly inform that arrangements will be made to deposit securities.
- (iv) Financial Regulations 1645 (b) and 1646 The running charts of 11 vehicles had not been submitted to the Auditor General. Financial regulations must be followed. I kindly inform you that daily running charts and monthly summaries will be submitted on the due date.
- (d) Public Administration Circular No. 09/2009 dated 16th April 2009 Although overtime and holiday pay should be based on the time on the fingerprint machine, overtime pay of Rs. 145,787 was paid in 2019 based on the time of arrival and departure register. Circulars should be followed. I would like to inform that the activities will be carried out in accordance with the Public Administration Circular No. 09/2009.

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the revenue over recurrent expenditure for the year ended 31 December 2019 amounted to Rs. 2,730,385 when compared with the revenue over recurrent expenditure of the preceding year amounted to Rs. 5,913,108.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Arrears of 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				2019			
	Estimated Revenue	Billed Revenue	collected Recenue	Arrears as at 31 December	Estimated Revenue	Billed Revenue	collected Recenue	Arrears as at 31 December
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Rent	3,815	4,166	3,842	324	5,423	3,469	3,975	1,547
License Fee	415	433	433	-	545	614	614	-
Other Revenue	7,183	11,967	5,788	4,910	12,823	7,198	10,948	5,431
	<u>11,413</u>	<u>16,566</u>	<u>10,063</u>	<u>5,234</u>	<u>18,791</u>	<u>11,281</u>	<u>15,537</u>	<u>6,978</u>

2.2.2 Shop Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
----- The rental income due from 2011 to 2018 was Rs. 1,041,148.	----- Action should be taken to recover the arrears without delay.	----- I kindly inform you that steps will be taken to recover the relevant arrears through legal means.

2.2.3 Courts Fines and Stamp Duty

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Court fines arrears of Rs.5,431,528 were due for at the end of the year under review and out of which Rs. 1,681,459 is arrears related to previous years.	----- Action should be taken to recover the court fines without delay.	----- Details of the fines due from the Muttur court have been obtained and I kindly inform you that the relevant money is being received in installments by the Pradeshiya Sabha.

3. Operating 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
----- (i) Although By-laws are to be imposed to accomplish 28 key matters in respect of Section 126 of the Pradeshiya Sabha Act, By-laws had not been imposed even by 31 December 2019.	----- Action should be taken to impose By-laws promptly.	----- 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
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An annual action plan had not been prepared for the year 2019.	An annual action plan should be prepared	I kindly inform you that action will be taken to prepare an annual action plan.

(c) Solid Waste Management

Audit Observation	Recommendation	Comments of the Accounting Officer
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Solid waste management had not been carried out properly.	A formal program on solid waste management should be implemented expeditiously.	I kindly inform you that a proper program regarding solid waste management will be prepared in the future.

(d) Sustainable Development Goals

Audit Observation	Recommendation	Comments of the Accounting Officer
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The Sabha did not identify the Sustainable Development Goals, Targets and the measurements contained in the Sustainable Development Act No. 19 of 2017 in the year under review.	Programs should be implemented in accordance with the Sustainable Development Act.	I kindly inform you that we will implement the necessary programs in the future to achieve the Sustainable Development Goals.

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) A building owned by the Pradeshiya Sabha was leased for a monthly rental of Rs. 18,343 to maintain it as a medical center, Until now, the Sabha had not taken action to get an assessment value of the building from the Valuation Department.	Action should be taken to charge interest on the assessed value.	I kindly inform you that the officials of the Valuation Department have come and inspected and measured and the relevant assessed values can be obtained from them in the future.

3.3 Human Resource Management

	Audit Observation	Recommendation	Comments of the Accounting Officer
(a)	The post of Ayurvedic Physician has been vacant since August 2012.	Action should be taken to appoint an Ayurvedic Medical Officer as soon as possible.	I kindly inform you that a request has been made to provide an Ayurvedic doctor and that action will be taken to obtain an Ayurvedic doctor in the future.
(b)	No action had been taken to fill the vacancies of 09 officers in 08 posts.	Action should be taken to fill the vacancies.	I kindly inform you that action will be taken to fill the relevant vacancies in the future.
(c)	10 officers were over-recruited for 04 posts,.	Action should be taken to recruit employees so as not to exceed the approved number of employees.	I kindly inform you that these recruitments have been made on a substitute basis with the approval of the Council and the approval of the Commissioner of Local Government due to the expansion of the functions of the Sabha.

3.4 Assets Management

3.4.1 Idled Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
A tractor trailer costing Rs.100,000 has been in ruins at the stadium for 3 years and no action has been taken to protect or dispose of the assets.	Appropriate action should be taken to dispose it.	I kindly inform you that steps will be taken to dispose of this trailer properly.

3.4.2 Assets not Transferred

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) 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	Legal ownership of the land should be taken over by the council.	I kindly inform you that the relevant steps are being taken to take over these lands legally.

Rs.68,008,546 by 31 December 2019, the legal ownership of these lands had not been taken over by the Sabha.

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| (b) | No action had been taken to take over 09 vehicles | Action should be taken to take over the ownership of the vehicles to the Pradeshiya Sabha. | Not answered. |
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3.4.3 Under Utilized Assets

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
Five vehicles have been idle for 02 to 05 years.	action should be taken to repair, or dispose of.	I kindly inform you that we will take the necessary action after obtaining the approval of the Sabha on the dysfunctional vehicles.

3.5 Procurement

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
(a) A procurement plan had not been prepared with specific details and values.	A procurement plan should be prepared.	I kindly inform you that necessary steps will be taken to prepare a procurement plan.
(b) During the year under review, the contract for the purchase of an air conditioner amounting to Rs.184,990 and the construction of an elephant fence for Rs. 281,301 were awarded without any technical evaluation.	A Technical Evaluation Committee should be appointed and the procurement should be evaluated by the Technical Evaluation Committee.	I kindly inform you that a Technical Evaluation Committee has been appointed at present and action will be taken to obtain the recommendations of the Technical Evaluation Committee for technical level goods and services in future.

3.6 Contract Administration

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
(a) Although the total value of contracts awarded to Community Based	Contracts should be awarded in a manner that does not exceed	I kindly inform you that from now onwards, the limit of Rs. 02 million will not be

Organizations should not exceed Rs. 2 million, three contracts worth Rs. 2,473,481 were awarded to a Rural Development Society. the relevant limit. exceeded in awarding contracts.

- (b) According to the Section 3.1 of Ministry of Finance and Planning Circular No. 1/2012 dated 05 January 2012, the Sabha had awarded 15 contracts worth Rs.7,177,296 to societies with bank balances ranging from Rs. 450 to Rs.75,993 without checking the financial viability. Contracts should be awarded only after reviewing the financial and other capabilities assessed in accordance with the circular. Recommendation of the Community Development Officer is obtained when awarding contracts to community boards. Contracts have been awarded to the newly formed community councils, despite their limited financial capacity, in order to strengthen them and provide services to the territories through them. I would like to kindly inform you that these societies have now developed their financial capabilities through this and the contracts have been awarded with the intention of strengthening the community councils and the relevant community council has successfully completed the contract work.
- (c) Although Rs. 281,301 had been paid for the construction of an elephant fence around the car park at the Seruwila sacred area as a matter of urgency, it was also rotten due to the poles used for the fence were of substandard, between 3 and 4 inches in circumference and the logs used were not properly immersed in black oil. Therefore, problems had arisen regarding the existence of the elephant fence. Must be done in such a way as to be cost effective. The threat of wild elephants in the vicinity of the Seruwila sacred area was so severe that it was essential to build an elephant fence before it could endanger the lives of the pilgrims entering the area. But as a low income pradeshia sabha, it is difficult to allocate funds for it. Therefore, a fence was constructed at a low cost using untreated wooden poles.

4. Accountability and Good Governance

4.1 Audit and management committee

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Audit and management committee meetings had not been conducted for the year under review.	Audit and management committee meetings should be conducted in terms of the Circular.	I kindly inform you that steps will be taken to conduct the Audit and Management Committees properly.

4.2 Unresolved Audit Paragraphs

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
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 and generating revenue for the Sabha. It has been defuncting 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.	Deficiencies should be rectified and used immediately.	I kindly inform you that this LED billboard has been provided for repairs and its work has been delayed due to the corona epidemic and it will be able to be activated and re-installed soon.