

**Pointpedro Pradeshiya Sabha
Jaffna District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented to Audit on 25 March 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman of the Sabha on 30 June 2019 and 31 October 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect 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 Pointpedro 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

Accounting Policies

Audit Observation	Recommendation	Comment of the Accounting Officer
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Accounting policies adopted in preparing the financial statements had not been disclosed by the Sabha in the financial statements.	Accounting policies should be disclosed in the financial statements.	Not replied.

1.4 Non-compliances

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

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliances	Recommendations	Comments of the Accounting Officer
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(a) National Audit Act No. 19 of 2018 Sub section 16(2)	An annual performance report had not been presented along with the financial statements.	Action should be taken in terms of instructions of said Act.	Copies of annual performance report had been attached.

- (b) Pradeshiya Sabhas (Financial and Administrative) Rule of the year 1988
- Section 193 of Chapter X
- A statement including explanation for variances by comparing details of actual revenue and expenditure for the year under review with the budget had not been prepared.
- Action should be taken in terms of instruction of said Rule.
- Respective action will be taken in future periods.
- (c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka No. 571
- No action had been taken in respect of retention money to be refunded to the contractor.
- Respective action should be taken in respect of retention money.
- Respective action is being taken.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue over recurrent expenditure of the Sabha for the year ended 31 December 2018 amounted to Rs. 10,684,918 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 24,798,273.

2.2 Revenue Administration

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

Information on the estimated revenue, billed revenue, collected revenue and arrears of revenue presented relating to the year under review and the preceding year is given 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	56,000	-	1,701,418	967,734	60,000	-	40,448	958,126
Rentals	6,273,000	-	6,881,230	126,308	5,510,000	-	5,748,138	121,709
License Fees	6,582,000	-	4,949,503	-	6,290,000	-	6,526,972	-
Other Revenue	68,112,000	-	45,358,960	-	59,725,000	-	37,052,070	-
	81,023,000	-	58,891,111	1,094,043	71,585,000	-	49,367,626	1,079,835

❖ Billed revenue had not been presented to audit.

2.2.2 Performance in Collection of Revenue

Audit Observation	Recommendation	Comment of the Accounting Officer
Collected revenue for the year 2017 was Rs. 49,367,626. However, collected revenue for the year 2018 was increased as Rs. 58,891,111, thus performance of revenue collection for the year 2018 had been increased by Rs. 9,523,485 as compared with the year 2017. However, revenue had not been billed.	Billed revenue should be verified.	Not replied.

2.2.3 Rates and Taxes

Audit Observations	Recommendations	Comments of the Accounting Officer
No actions had been taken to recover arrears of rates and taxes totalling Rs. 3,244,074 of the year under review for over the last 01 to 04 years.	Actions should be taken to recover arrears of rates and taxes.	Action will be taken to recover arrears.

2.2.4 Rents

Audit Observation	Recommendation	Comment of the Accounting Officer
No actions had been taken to recover arrears of lease totalling Rs. 118,439.	Respective action should be taken in respect of arrears of lease.	Legal action is being taken for known details.

2.2.5 License Fees

Audit Observation	Recommendation	Comment of the Accounting Officer
No action had been taken to recover license fees of Rs. 50,000 for telecommunication towers in the year under review.	Action should be taken to recover license fees.	Actions are being taken to recover.

2.2.6 Court Fines and Stamp Fees

Audit Observation	Recommendation	Comment of the Accounting Officer
----- Court fines and stamp fees totalling Rs. 4,112,162 and Rs. 6,844,143 respectively had to be received from the Chief Secretary of the Provincial Council and all authorities as at 31 December 2018.	----- Actions should be taken to recover arrears.	----- Arrears will be received when receiving fund.

3. Operating Review

3.1 Performance

The matters observed in respect of execution of activities that should be executed under Section 3 of the Pradeshiya Sabhas Act such as regularize and control over the matters of public health, public utility services and public thoroughfares and the comfort, convenience and welfare of the people are given below.

(a) By-Laws

Audit Observation	Recommendation	Comment of the Accounting Officer
----- By-laws were required to be enacted for 30 main functions in terms of section 126 of the Pradeshiya Sabhas Act. However, by-laws had been enacted for 06 functions only even as at 31 December 2018.	----- Meaningful actions should be taken to enact by-laws for implementing all said functions.	----- Respective action will be taken.

(b) Action Plan

Audit Observation	Recommendation	Comment of the Accounting Officer
----- An annual action plan had not been prepared in respect of 06 activities to be implemented by the Sabha as per by-laws enacted.	----- An annual action plan should be prepared as per by-laws.	----- Action will be taken to prepare an annual action plan.

(c) **Failure to make Provision**

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
As per action plan prepared, out of 20 activities to be implemented by the Sabha, provision had been made by the annual budget for 06 activities only, thus 14 activities valued at Rs. 9,700,000 could not be executed.	Action plan should be executed by development reserve.	Fourteen activities will be executed by development reserve.

(d) **Delays in executing Activities**

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
Nine activities had been commenced. However, delays were observed in performance of those activities.	Action should be taken to complete said activities.	Period extension had been given for acceptable reasons in respect of said works.

(e) **Solid Waste Management**

Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
(i) An expense of Rs. 121,945 had been incurred for disposing solid wastes in the year 2018. However, activities of solid waste disposal had not been carried out by the Sabha efficiently.	Action should be taken to earn revenue through subject to recycling the solid wastes	Respective action is being taken.
(ii) Sanitary labourers who were employed in solid waste activities had not been subjected to medical test by the Pradeshiya Sabha from time to time.	Sanitary labourers should be subjected to medical test annually.	Medical test had not been done up to now.

(iii) Solid wastes had been collected by the Sabha without being segregate the wastes as destroyable and non-destroyable wastes.	Actions should be taken to segregate and collect solid waste.	Actions will be taken to segregate and collect.
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(f) Environmental Issues

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
No actions had been taken to spray mosquito oil for preventing spread of mosquitos and flees and to prevent bad smell in the area selected for disposing solid wastes.	Respective actions should be taken.	Respective actions will be taken.

3.2 Management Inefficiencies

Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
(a) Applications for approval of building had not been examined by the Pradeshiya Sabha in due periods and Register of building approval had not been maintained properly.	Approval should be granted in due period.	Respective actions will be taken.
(b) A citizen charter had been displayed by the Pradeshiya Sabha for the general public.	Action should be taken to display the citizen charter.	Respective actions will be taken.
(c) Complaints received to the Pradeshiya Sabha from general public and public institutions had not been settled in due periods.	Proper action should be taken in respect of complaints soon.	Respective actions will be taken.
(d) No actions had been taken in respect of community center grants of Rs. 306,400 issued	Action should be taken to pay community center	Action will be taken to pay grants.

for the period from the year 2007 to the year 2018

grants totally.

(e) Details of trade license fees due had not been entered in the register. However, trade license fees had been accounted as revenue when they had only been collected, thus receivable amount of trade license fees had not been accounted and brought to the financial statements.

A register in respect of persons who obtain trade license should be maintained.

Not replied.

(f) Reports to be prepared by the Local Government Assistant had not been presented in due periods, thus main functions of the Pradeshiya Sabha had not been completed.

Reports to be prepared by the Local Government Assistant should be presented in due periods.

Not replied.

3.3 Human Resources Management

Audit Observation

It was observed in audit that the Sabha had not recruited and deployed human resources properly. As a result, works to be completed by such 09 human resources had been delayed.

Recommendation

Staff should be appointed in equal manner to the approved cadre.

Comment of the Accounting Officer

Actions are being taken to remove the vacancies of the cadre.

3.4 Operating Inefficiencies

Audit Observations

(a) It was mentioned that the Sabha should issue "K" form to the owners of the properties to recover rates and taxes of lands and constructed houses and buildings under the purview of the Sabha annually

Recommendations

Action should be taken by the Sabha as per instruction of said Act.

Comments of the Accounting Officer

Action will be taken to recover arrears.

in terms of section 134 of the Pradeshiya Sabhas Act No. 15 of 1987. However, “K” form had not been issued to the general public by the Pradeshiya Sabha for the properties.

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|-----|---|--|---|
| (b) | A Case No. 30283 had been filed against a person by the Sabha in respect of building constructed without approval since the year 2016. However, Expenses therefor had not been shown as contingent liability in the financial statements. | Expenses for the case should be shown as contingent liability in the financial statements. | Action will be taken in future periods. |
| (c) | Inparuddy coastal fish market had been leased out by the Pradeshiya Sabha in 2011. However, lease of Rs. 10,332 had not been recovered from lessee for 08 years and a Case No. 33109 had been held in this regard since the year 2018. However, expenses therefor had not been shown as contingent liability in the financial statements. | Expenses for the case should be shown as contingent liability in the financial statements. | Action will be taken in future periods. |
| (d) | Market chicken meat stall, Manthigai had been leased out by the Pradeshiya Sabha in the year 2014. However, lease of Rs. 34,003 had not been recovered from lessee for 05 years and a Case No. 33108 had been held in this regard since the year 2018. However, expenses therefor had not been shown as contingent liability in the financial statements. | Expenses for the case should be shown as contingent liability in the financial statements. | Action will be taken in future periods. |

3.5 Assets Management

3.5.1 Failure in carrying out Maintenance and Repairing

Audit Observation	Recommendation	Comment of the Accounting Officer
----- Necessary action had not been taken to repair 12 vehicles being used by the Pradeshiya Sabha.	----- Action should be taken to repair repairable vehicles.	----- Respective action will be taken.

3.5.2 Assets not acquired

Audit Observations	Recommendations	Comments of the Accounting Officer
----- No action had been taken to transfer ownership of 09 vehicles being used by the Pradeshiya Sabha.	----- Ownership of all vehicles belonging to the Sabha should be transferred.	----- Action will be taken to transfer the ownership.

3.5.3 Idle Assets

Audit Observation	Recommendation	Comment of the Accounting Officer
----- Toilet, dress changing room, water tank, waste disposal tank, coastal chair and sales shop valued at 2,805,443 constructed in the year 2016 at Manatkadu coastal for tourism sector had remained idle up to now without being used and maintained.	----- Action should be taken to use the buildings constructed for promoting tourism sector and to maintain properly.	----- Respective action will be taken.

3.5.4 Annual Board of Survey

Audit Observation	Recommendation	Comment of the Accounting Officer
----- At annual store verification of the head office, a report on board of survey had been presented without	----- Report on board of survey should be prepared properly.	----- Report on board of survey will be prepared properly in future

verified actual stock value of 86 items.

periods.

3.6 Procurement

3.6.1 Procurement Plan

Audit Observation	Recommendation	Comment of the Accounting Officer
<p>A procurement plan had not been prepared by the Sabha for every year in respect of services as per mentioned in the Procurement Guideline 4.2. A procurement plan had been prepared without following based document for preparation, proposals and services included in the development plan proposals of Local Authorities for 4 years.</p>	<p>A procurement plan should be prepared as per an approved format.</p>	<p>Works had been implemented by considering development plan of people participation, request of general public</p>

3.6.2 Contract Administration

Audit Observations	Recommendations	Comments of the Accounting Officer
<p>(a) In terms of procurement guideline 2.11.2, attendance register had not been maintained for the meetings of Procurement Committees and Technical Evaluation Committees.</p>	<p>Attendance register for meetings should be maintained.</p>	<p>Relevant register will be maintained in future periods.</p>
<p>(b) In terms of procurement guideline 5.4.11, copy of the details of Value Added Tax made in respect of contract works had not been forwarded to the National Audit Office.</p>	<p>Copy of the report on Value Added Tax should be forwarded to the National Audit Office.</p>	<p>Respective action will be taken.</p>

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation

Recurrent expenditure such as travel expenses, supplying goods and requisite goods, repair of capital assets, grants and aid funds and pensions included in the budget had been saved more per cent from actual expenditure, thus the budget was inefficient.

Recommendation

Actions should be taken to prepare budget properly.

Comment of the Accounting Officer

Variance was incurred due to receiving unexpected revenue and expenditure.