

**Vadamaradchy South West 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 Vadamaradchy South West 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.	Action had been taken to present along with the financial statements.

- (b) Pradeshiya Sabhas Act No. 15 of the year 1987

Section 158(1)	Warrant had not been issued by the Chairman to the defaulters of arrears of assessment tax on property.	Action should be taken in terms of instructions of said Act.	Action had been taken to recover arrears.
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- (c) 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 said Financial and Administrative Rules.	Action is being taken.
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- (d) Finance circular of Northern Province No. 30/2016 of 29 December 2016

Fuel consumption had not been tested for 04 vehicles of the Sabha.	Action should be taken in terms of instruction of said finance circular.	Action had been taken to test fuel consumption of the vehicles.
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1.4.2 Noncompliance with Tax Requirements

Audit Observations

Recommendations

Comments of the Accounting Officer

In terms of Section 154 of Pradeshiya Sabhas Act No. 15 of the year 1987, sales tax equivalent to 1% should be recovered on sales of certain lands. However, no action had been taken by the Sabha to recover them.

Respective actions should be taken in terms of instructions of the Act.

Actions had been taken therefor.

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. 64,654,300 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 7,191,680.

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	129,500	-	222,089	2,397,676	670,400	-	-	-
Rentals	15,598,396	-	16,524,871	2,124,915	22,765,680	-	2,677,922	6,266
License Fees	1,585,400	-	1,988,320	-	1,764,000	-	322,999	-
Other Revenue	100,074,214	-	112,690,656	50,324,764	93,969,070	-	35,749,308	6,418,520
	117,387,510	-	131,425,936	54,847,356	119,169,150	-	38,750,229	6,424,786

❖ 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. 38,750,229. However, collected revenue for the year 2018 was increased as Rs. 131,425,936, thus performance of revenue collection for the year 2018 had been increased by Rs. 92,675,707 as compared with the year 2017. However, billed revenue could not be verified.	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 by the Sabha to recover arrears of rates and taxes totalling Rs. 2,397,676 in the year under review.	Actions should be taken to recover arrears of rates and taxes.	Action is being taken to recover arrears.

2.2.4 Rents

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) No actions had been taken by the Sabha to recover arrears of stall rent totalling Rs. 128,199 in the year under review.	Actions should be taken to recover arrears of rent.	Actions had been taken to recover arrears.
(b) No actions had been taken by the Sabha to recover arrears of market lease totalling Rs. 1,837,740 in the year under review.	Respective action should be taken in respect of arrears of lease.	Respective actions are being taken now.

2.2.5 Court Fines and Stamp Fees

Audit Observation	Recommendation	Comment of the Accounting Officer
Court fines and stamp fees totalling Rs. 6,845,462 and Rs. 8,262,742 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.	Action had been taken to recover arrears.

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 30 activities to be implemented by the Sabha.	An annual action plan should be prepared as per by-laws.	Action had been 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 by the Sabha for contract works, out of 25 contract works to be implemented by the Sabha, 02 contract works only had been implemented. Other 23 activities valued at Rs. 24,110,000 could not be implemented.	Programme should be prepared as per receiving revenue.	Action plan could not be implemented due to non-receiving total fund. Actions are being taken to implement four works now.

(d) Abandoned Activities

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
Muthalaikkuli drinking water supply scheme valued at Rs. 2,999,724 completed in the year under review and preceding years had been abandoned without being obtained expected outcomes.	Intended purposes should be fulfilled.	Action is being taken to operate.

(e) Solid Waste Management

Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
(i) A relevant area had been selected for disposing solid wastes at Mandaan. However, solid wastes were collected without being segregated as per national policies. Further, the daily collection of garbage had not been cut in to pieces and covered with soil in the area of dumping garbage.	Solid waste disposal should be supervised.	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.	Respective actions will be taken in future periods.

(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	Respective actions should be taken.	Respective actions had been taken.

selected for disposing solid wastes.

3.2 Management Inefficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
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(a) 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.	Relevant reports should be presented in due periods.	Not replied.
(b) Two cemetery watchers had been employed in the Sabha. However, no action had been taken by the Sabha to recover cemetery tax.	Action should be taken by the Sabha to recover cemetery tax for 13 cemeteries.	Respective actions are being taken.
(c) Reassessment tax on property had not been carried out for 12,018 properties under the purview of the Sabha for over the last 48 years.	Action should be taken to carry out reassessment of tax on property.	Reassessment report had not been submitted by the Department of Valuation, thus continuous action had not been carried out.

3.3 Human Resources Management

Audit Observation	Recommendation	Comment of the Accounting Officer
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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 21 human resources had been delayed.	Respective actions should be taken to fill vacancies of the cadre.	Actions had been taken to fill vacancies.

3.4 Operating Inefficiencies

Audit Observation	Recommendation	Comment of the Accounting Officer
<p>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 in terms of section 134 of the Pradeshiya Sabhas Act No. 15 of 1987. However, “K” form had not been issued in respect of 12,018 properties in the year 2018.</p>	<p>Action should be taken by the Sabha as per instruction of said Act.</p>	<p>Action is being taken to recover arrears.</p>

3.5 Assets Management

3.5.1 Assets not acquired

Audit Observations	Recommendations	Comments of the Accounting Officer
<p>No action had been taken to transfer ownership of 04 vehicles being used by the Sabha.</p>	<p>Action should be taken to transfer ownership of the vehicles.</p>	<p>Ownership could not be transferred due to lack of registration book of the vehicle.</p>

3.5.2 Idle Assets

Audit Observation	Recommendation	Comment of the Accounting Officer
<p>(a) Furniture of Preschool, Kaddaively had remained without being maintained and Preschool had not been functioned for the last 05 years.</p>	<p>Actions should be taken in terms of recommendation of the board of survey.</p>	<p>Actions in this regard are being taken.</p>
<p>(b) A plant valued at Rs. 2,208,000 purchased for activities of solid waste management had remained idle for over 01 year.</p>	<p>Action should be taken to operate the machine continuously.</p>	<p>Action had been taken to operate the machine.</p>

3.6 Procurement

3.6.1 Procurement Plan

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
A procurement plan for the year under review should be prepared by the Pradeshiya Sabha for the activities of supplies and services. However, a procurement plan had not been prepared for services.	Supplies and services should be prepared as per a procurement plan.	Not replied.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
When comparing the budgeted recurrent expenditure and actual recurrent expenditure of the Sabha, expenditure such as personnel emoluments, travel expenses, supplying goods and requisite goods, repair and maintenance of capital assets, interest payments, dividends, bonus, grants, aid funds, pensions, retirement benefits and gratuities had been as favourable and expenditure such as loading and unloading, continuous utility services and other services, had been as adverse.	Actions should be taken to prepare budget properly.	Variance was incurred due to receiving unexpected revenue and expenditure.