

**Thambalagamuwa 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 25 March 2019 and the summarized Auditor General's Report, Management Report relating to the year under review were sent to the Chairman on 16 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, the financial statements give a true and fair view of the financial position of the Thambalagamuwa Pradeshiya Sabha as at 31 December 2018 and its financial performance and the cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

1.3.1 Documentary Evidences not made available for Audit

Account Item	Amount	Evidences not presented	Recommendation	Comments of the Accounting Officer
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	Rs.			
Fixed Assets	54,428,824	Fixed Assets Register	The fixed asset register should not be a document that is merely included in the preparation of the final accounts but should be a record of all the assets.	The fixed asset register contained only the value of the accounts to enable it to prepare final accounts. There was a delay in the revaluation of all the assets except the vehicle, which had been set up by the Valuation Committee.

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	Recommendation	Comments of the Accounting Officer
1988 Pradeshiya Sabha (Finance Administration) Chapter IX Section 180	Sabha and Rules Although three officers were assigned administrative duties such as cash, stores and signing checks, since the security amount to be deposit were not able to determine that had not been obtained.	Determine the value of the security and take action to recover it.	As the officers have not come forward to pay the security and to carry out their duties, I inform that the security amount due to them has not been decided.
Section 203 of Motor Traffic Act	Vehicle revenue licenses should be obtained for all the vehicles every year. However, the vehicle revenue license had not been obtained for the six vehicles used by the Council in the year under review.	Revenue license for 6 vehicles should be obtained and informed.	I inform you action will be taken to obtain vehicle revenue license soon for all vehicles that have not received vehicle licenses.

2. Financial Review

2.1 Financial Result

According to the financial statements presented, excess of revenue over recurrent expenditure for the year ended 31 December 2018 amounted to Rs. 745,678 when compared with excess of revenue over recurrent expenditure of the preceding year amounted to Rs. 2,719,558.

2.2 Revenue Administration

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

Information of estimated revenue, billed revenue, collected revenue and arrears of revenue relating to the year under review and previous year are shown below.

Revenue Source	<u>2018</u>				<u>2017</u>			
	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
Rates and Taxes	11>050	6>477	6>344	132	11>019	6>502	6>348	153
License Fee	1>463	913	905	8	1>250	1>024	1>024	-
Others	4>501	3>600	3>058	543	2>321	2>141	1>906	235

- (a) The arrears rent for the year under review was decreased by Rs. 21,000 compared to last year. Furthermore, licensing fees and other arrears increased by Rs. 8,000 and Rs. 308,000 respectively, and it was revealed that revenue collection was slow.

2.2.2 Rates and Taxes

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
In terms of Section 134 (1) of the Pradeshiya Sabha Act No.15 of 1987, no action had been taken to identify the immovable property in the authoritative area of the Pradeshiya Sabha and assess the annual value of it and recover Rates and Taxes.	Action should be taken too assessed and charged the annual value of the property.	Based on the decisions of the Council, I inform you that action will be taken to assess and recover Rates and Taxes according to the instructions of the Assistant Commissioner's Office committee of the Local Government in consultation with the Department of Valuation.

2.2.3 Rent Income

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
Even though the beef Stall Income at the authoritative area of the Sabha in arrears up to the year under review had been Rs. 228,790, action had not been to recover this arrears until the date of audit of 15 May 2019.	Recover the arrears and action will be taken not to be in arrears of rent in future.	The operations of the beef Stalls had been in slow due to the deceases occurred to the animals during the years 2018 and 2019. However the situations had been now changed and I inform you that action will be taken to recover the arrears amount as the operations of the beef stalls are improving.

2.2.4 Stamp Charges

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
Necessary action had not been taken to calculate the Stamp Duty for the year 2018 and to recover it from the Registrar General.	Action should be taken to collect stamp duty.	I inform you that the relevant Stamp Duty for 2017 had been fully recovered in March 2019 and accordingly necessary action is being taken to obtain the stamp duty for the year 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) Solid Waste Management

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
Garbage collected within the area of the Sabha had been disposed of, at the Palampota Aru area. The elephants in the area consume this garbage endangering their lives.	Waste disposal permits should be enforced in a non-hazardous manner. Also, you should submit your temporary license obtained for the disposal of solid waste to the audit.	Since the garbage collected in the council area is dumped in the “Palampota Aru Singhe kanda” area, the Pradeshiya Sabha once a month has graveled into the ground with the JCB machine to protect the environment.

(b) Sustainable Development Goals

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
The Sabha had not been identified the objectives and targets referred to in the	It must submit the program criteria to the audit of the Sustainable	One of the goals of sustainable development under the pradeshiya Sabha is the protection of the

Sustainable Development Target Act No.19 of 2017. Furthermore, there is insufficient awareness of the sustainable development that should be achieved by 2030. Development Goals that they have identified and the progress report. environment and the surrounding area is being carried out. In particular, solid waste disposal, tree planting programs, mangrove plant protection programs have been implemented and school teachers and students have been educated on this.

3.2 Management Inefficiencies

The following matters were observed.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The Sabha had obtained a loan of Rs.11,999, 925 from the Local Loans and Development Fund in 2012 to construct the office building and action had not been taken to settle the same by the Sabha.	This loan should be repaid within the stipulated time.	I will notify you that the loan for the office building has been re-listed in the last year for repayment of the loan of the Local Loans and Development Fund and accordingly the payment is being made in November 2018.
(b) Nine receipt books issued by the Sabha in 2013 and 2014 had been misplaced during 2015. The money collected had not been handed over to the Sabha by the officer in charge of receipts. Disciplinary action had not been taken against the officer concerned in terms of Provincial Financial Rules 71.3 so as to determine the loss and make recoveries accordingly.	Action should be taken in accordance with the disciplinary inquiries.	According to Appendix XLVIII of the Establishments Code, I have been informed that a formal disciplinary inquiry in this regard has been concluded.
(c) According to the paragraph (ii) of the Circular dated 17 June 2009 dated 09/2009 (1) of the Ministry of Public Administration it should be confirmed their arrival and departure through finger print by	The circular must be adhered to and the Secretary of the Council shall be certified as a Field Officer.	I am informed that since the Secretary of the Council is also a field officer, he has been unable to leave fingerprints on those days due to invitations from the authorities and District Secretaries of the Ministry concerns.

all the Officers including the Head of the Department, nevertheless the Secretary of the Council had not acted in accordance with the similar.

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| (d) | There was no action taken to recover the Rs. 2,500 credit balance from the employee or from his guarantors who had been left the service. | Action should be taken to recover the arrears. | I have informed you that speedy action will be taken to recover the dues from the employees who left the service. |
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3.3 Assets Management

3.3.1 Idle Assets

The following observations were made.

	Audit Observation	Recommendation	Comments of the Accounting Officer
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(i)	Two motorcycles, two-wheel tractors and four-wheel tractors in the council have been inactive for four years without being repaired.	Steps should be taken to use repaired vehicles and to take action on those vehicles which cannot be repaired.	You are kindly informed that action will be taken to the vehicles you have disclosed to be repaired and used the use same.
(ii)	The Solid Waste Disposal Centre was constructed at a cost of Rs. 918,057 and handed over to the Sabha by the Contractor. Nevertheless, this remained inactive without being used even by the audit of date, 15 May 2019.	Action should be taken to use this unused building.	I am informed that the building will be utilized expeditiously for the proper management of solid waste.

3.3.2 Annual Board of Survey

	Audit Observation	Recommendation	Comments of the Accounting Officer
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	During the Board of Survey of 2018, it was revealed	Internal control must be made so that there is	Readers who have received the books have sent letters to the

that 667 books in the three libraries maintained by the council were not submitted to the Board of Review, but no action was taken.

no shortage of library books.

relevant person by registered post to hand back the returned books. I have been asked to charge books or similar for other books.

3.3.3 Uneconomic Transactions

Audit Observation

Contributions to the Employees' Trust Fund should be remitted to the Fund before end of the respective month in terms of the Employees' Trust Fund Act No.46 of 1980. However, the contributions of Employees' Trust Fund of employees of the Sabha for the period January 2012 to April 2016 had not been remitted accordingly. As such, surcharges amounting to Rs.52,673 had been paid.

Recommendation

Fines cannot be paid from the council fund. Therefore, the reasons for this should be examined and recovered from those responsible.

Comments of the Accounting Officer

Between 2012 and 2016, the Employees' Trust Fund had to pay fines to those who served as acting employees for lack of adequate salary facilities. Nevertheless, I would like to inform you that at present, acting employees are paid immediately.

3.4 Procurement

3.4.1 Procurement Plan

Audit Observation

The Sabha had not prepared a procurement plan for the year under review in terms of the Circular No.128 of 24 March 2006 of the Department of National Budget.

Recommendation

According to this Circular the procurement plan should be prepared every year.

Comments of the Accounting Officer

I am informed that the procurement plan for the year 2019 will be prepared.

3.4.2 Contract Administration

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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Construction of the Market Building		

The following observations were made with regard to the contract for construction of the market building for Rs.10,743,042 under the Programme for Strengthening of Pradeshiya Sabhas of the Ministry of Provincial Councils and Local Government.		
(i) This work was to be completed on 22 January 2018 and should be handed over to the Sabha. However, the contractor had not completed the construction work even by 15 May 2019. However, no further action had been taken on the contractor and no late fees of Rs. 537,152 had been charged too.	In the event of non-performance of certificates of payment vouchers, the results of the certification shall be accepted by the certifier. Also, payments for unfinished work must be removed from vouchers. Further, action should be taken to check the late charges and make the charges.	Explaining this to technical officials, it was stated that "due to the payment of the relevant work vouchers have been sent in advance and the time delay has not been charged." Moreover, since local authorities are responsible for more than Rs. 10 million they also had not taken action to charge late fees. However, as the bail amount has not been released so far, I am informed that we will inform the Department of Local Government to collect late fees from the bail.

- (ii) The Secretary of the Council had recommended without paying the technical officer's reports to pay attention to the fact that the ceiling 81.5 m³ earth tile skirting had not been properly seized and the wall paintings had exploded.
- Any deficiencies found in the constructed buildings should be corrected and discussed with the responsible authorities when recommending payments.
- Based on the recommendations made by the technical officer of the payment voucher for the work you have disclosed in the relevant market building, the Secretary has made the request to the Commissioner of Local Government as the contractor has requested the letters of recommendation.