

Addalachenai Pradeshiya Sabha

Ampara District

1. Financial Statements

1.1 Presentation of Financial Statements

While Financial Statements for the year 2018 had been presented to audit on 25 March 2019, the summary report of the Auditor General relating to those financial statements was sent to the Chairman of the Sabha on 31 May 2019.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the part, basis for qualified opinion in my report, the financial statements give a true and fair view of the financial position of the Addalachenai 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 the qualified opinion

(a) Accounting Deficiencies

Accounting Deficiency	Recommendation	Comments of the Accounting Officer
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|---|---|---|
| (i) Lands belong to the Sabha had not been assessed and taken to accounts. | Value of lands should be disclosed as fixed assets in the financial statements. | Although the value of land amounting to Rs. 2,000,000 purchased during the year 2007 for construction of a slaughter house had been taken to accounts. Action will be taken to assess lands relevant to period prior to that and will be included in the financial statements to be prepared for the year 2019. |
| (ii) Three lorries, a motor cycle, JCB machine, browsers and 04 tractors belong to the Sabha and used by the Sabha had not been valued and taken to accounts. | All motor vehicles used by the Sabha should be valued during the relevant periods and those values should be shown as fixed assets. | While requests were made to assess the value of vehicles during the year 2015, some of the vehicles were assessed during the year 2017. Assessments of other vehicles were not sent. Values of those vehicles were not included in the financial statements. Those will be included in the financial statements |

immediately after receiving those values.

- (iii) Value of 107 library books received as donations during the year under review and year 2017 had not been assessed and taken to accounts. Should be valued during the relevant periods and those values should be accounted as fixed assets. Will be included in the financial statements when preparing accounts relevant to the year 2019.
- (iv) According to the registers maintained by the Sabha, arrears of Solid Wastes Service Charges up to the end of the year under review amounts to Rs. 2,877,310,. However, it had been shown as Rs.2,569,844 in the financial statements. Arrears of charges would affect the current assets and the revenue surplus amounts to Rs. 2,877,310,. Therefore, the correct amount of arrears should be shown in the financial statements. Will be included in the financial statements when preparing accounts relevant to the year 2019.
- (v) Adjustments had not been made in the books with regard to the value of 975 library books destroyed during the year under review on the basis of the recommendations of the board of survey for the period from the year 2015 to 2017. Adjustments should be made and value should be written off within the relevant period. Necessary action will be taken to assess the value of 614 books destroyed at the board of survey during the years 2015 and 2017, to deduct from the registers and to make adjustments.

(b) Lack of Written Evidence

Item	Value Rs.	Evidence not furnished	Recommendation	Comments of the Accounting Officer
Land and Buildings	1,105,143	Deeds of lands, Fixed Assets Register	Evidence required confirming balances shown in the financial statements should be furnished.	Sabha did not possess the deeds of assets valued at Rs. 1,105,043, since a long period. Necessary action has been taken to obtain those.

Plant and Machinery	89,950	Fixed Assets Register	Action has been taken now to enter in the individual register for goods relevant to fixed assets register.
Furniture and Fittings	189,615	Fixed Assets Register and Board of Survey Reports.	Action has been taken to enter in the individual register for goods relevant to fixed assets register.
Library Books	289,996	Register of Library Books	Sabha did not possess registers for Rs. 289,996. Necessary action had been taken to record it.
Electrical Equipment	13,600	Stocks Register and documents	Although it had been shown continuously in the accounts, relevant particulars were not available in the office. It had been difficult to obtain old letters and registers. Action will be taken to obtain letters and documents in due course.
Stock Balances	689,311	Confirmations of balances, registers and documents	

1.4 Non-compliance

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

Instances of non-compliance with Laws, Rules, Regulations and Management Decisions are shown below.

Reference to Laws, Rules, Regulations and Management Decisions	Noncompliance	Recommendation	Comments of the Accounting Officer
(a) Pradeshiya Sabha Act No. 15 of 1987 Section 12 (1) and (2) and Sub-Section 31(1)	Although separate committees should be established for	Action should be taken to establish separate committees and act	A Sabha decision has been taken on 04.06 2019 to establish committees to facilitate office work to the

<p>in Gazette Notification No. 488/16 dated 13 January 1988 of the Ministry of Local Government and Housing and Constructions</p>	<p>Policy Planning, House Constructions, Social Development, Technical Services, Environmental and Common</p>	<p>accordingly.</p>	<p>Sabha.</p>
<p>(b) Pradeshiya Sabha (Financial and Administrative) Rules of 1988. Chapter x Section 193</p>	<p>Amenities in order to take strong decisions with the intention of facilitating works of the Pradeshiya Sabha, action had not been taken to establish those committees.</p>	<p>Statements should be prepared within the relevant period and should be furnished to audit</p>	<p>Reconciliation statements will be sent together with financial statements for the year 2019.</p>
<p>(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial Regulations (i) F.R. 260 and 389.</p>	<p>Revenue and expenditure items had not been compared with the budget and a statement had not been prepared showing reasons for surpluses and deficits and submitted to audit.</p>	<p>Financial regulations should be complied with.</p>	<p>While signature of the relevant persons is obtained on the voucher, signing in the issue register is not made as the cheques are taken by the officers and handed over to the payees. Acknowledgements are obtained as well.</p>
<p>(ii) F.R. 392 (2)</p>	<p>According to audit sample checks, 93 cheques issued during February, April and June 2018 had not been recorded and persons obtained the cheques had not been confirmed.</p>	<p>Financial regulations should be complied with.</p>	<p>While entries were made in the cash book when in lieu cheques were written, notes were made in the cheque counterfoils. However, action will be taken to write new cheque numbers in place of old cheque numbers.</p>
		<p>Action should be</p>	

(iii) F.R. 571

The Sabha had issued cheques in lieu of 3 cheques issued in March and April 2018. Entries relevant to that as per financial regulations had not been made.

taken to make refund to the relevant persons or to credit to revenue with regard to lapsed deposits as per financial regulations.

The relevant people were informed with regard to lapsed deposits. Deposits not taken were credited to revenue.

(d) Treasury Circular No. IAI/2002/2 dated 28 November 2002.

Action should be taken according to the relevant Treasury Circular.

Computer components and software are recorded in the stock book. Action will be taken to maintain a separate register in due course.

(e) Treasury Circular No. 41/90 dated 10 October 1990.

The Sabha had not taken action to refund or to credit to revenue with regard to 02 deposits which had elapsed two years.

Action should be taken according to the relevant Treasury Circular.

Fuel consumption tests off vehicles will be carried out in due course.

A separate Register of Fixed Assets had not been maintained for computer components and software.

Although the fuel consumption of vehicles used by the Sabha should be tested once in 06 months, such test had not been carried out after 21 July 2017.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2018 amounted to Rs. 10,070,458 as compared with corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.7, 585,750.

2.2 Revenue Administration

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

Estimated Revenue, Billed Revenue, Revenue Collected and Arrears of Revenue at 31 December for the year under review and the preceding year as furnished are shown below.

Source of Revenue	2018				2017			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total Arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	723,000	271,375	271,375	-	533,000	525,135	525,135	-
Rent	1,950,000	1,902,253	1,902,254	273,000	1,700,400	1,940,615	1,941,000	273,300
License Fees	2,105,000	748,000	748,000	-	1,705,000	1,070,940	1,071,940	-
Other Revenue	6,562,000	27,008,322	16,530,970	7,258,104	21,195,000	18,805,064	15,382,000	6,292,761

2.2.2 Performance in Revenue Collection

Audit Observation

A sum of Rs. 19,452,599 had been recovered by the Sabha during the year under review out of revenue to be collected amounting to Rs.36,496,011. Accordingly, progress in revenue collection had been 53 percent.

Recommendation

Revenue Inspectors should be appointed and revenue for the year under review together with arrears amount of the preceding year should be recovered.

Comments of the Accounting Officer

Although approval had been received to recruit 2 revenue inspectors, posts were vacant and therefore it was not possible to recover revenue.

2.2.3 License Fees

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Action had not been taken in terms of Section 149 of the Pradeshiya Sabha Act No. 15 of 1987 to recover License Fees from 830 registered trade establishments in the area of authority of the Sabha up to 31 December 2018.	----- Action should be taken to appoint Revenue Inspectors and recover revenue.	----- Although approval had been received to recruit 2 revenue inspectors, posts were vacant and therefore it was not possible to recover Trade License Fees. Although stalls were informed to obtain licenses, those have not been obtained.

2.2.4 Court Fine and Stamp Fees

Audit Observation	Recommendation	Comments of the Accounting Officer
----- (a) Court Fines amounting to Rs.4,337,938 and Stamp Fees amounting to Rs.10,959,487 were receivable as at 31 December 2018.	----- Action should be taken to recover relevant revenue.	----- Court Fines were not received by us during the year 2018. Applications were sent to the Provincial treasury to obtain Stamp Fees.
(b) Action had not been taken by the Pradeshiya Sabha to compute and recover additional Stamp Fees recovered direct and through mobile services by the Eastern Provincial Department of Revenue	----- Action should be taken to obtain relevant information and recover Stamp Fees.	----- It was not possible to recover, as the information relating to Stamp Fees recovered direct and through mobile services by the Eastern Provincial Revenue Department was not received.

2.2.5 Other Revenue

Audit Observation	Recommendation	Comments of the Accounting Officer
----- (a) A sum of Rs. 26,000 and Rs. 5,250 recoverable respectively on account of leasing out the Roller and the JCB Machine	----- Charges in arrears would affect the current assets and revenue surplus for the year. Therefore those should be recovered within the relevant period and should be shown in the	----- Parties liable to pay have been informed.

during the year under financial statements.
review was in arrears as
at 31 May 2019.

- (b) Running charts of the JCB Vehicle had not been properly supervised and updated by the technical officer. Running charts of vehicles should be updated. Not replied.
- (c) The sum of Rs. 1,712,948 receivable for earth filling in the Solid Wastes Centre from the Karathievu Pradeshiya Sabha had not been recovered for a period of more than 02 years. Although decision No. 2018/82 had been taken at the seventh meeting of the year under review that this amount should be recovered and that legal action should be taken failing to settle it. However, such course of action had not been taken up to 31 May 2019. Action should be taken to recover within the relevant time. Not replied.

3. Operating Review

3.1 Management Inefficiencies

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public thoroughfares, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

(a) By-laws

Audit Observation	Recommendation	Comments of the Accounting Officer
According to of Section 126 of the Pradeshiya Sabha Act No. 15 of 1987, by-laws should be prepared and imposed in order to enact revenue of the Pradeshiya Sabha. Although proposals had been prepared for 07 matters during the year 2012 by the Pradeshiya Sabha, action had not been taken sanction and implement those.	Action should be taken to get approval for the bylaws. By-law should be prepared for other matters suitable to the Pradeshiya Saba.	Although the relevant by-laws were sent to the Provincial Council, at present 05 bylaws have been examined, documents were prepared and sent to the Provincial Council together with Sabha decision on 23.05.2019. Action will be taken to gazette this soon together with the approval of the Hon. Governor.

(b) Action Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
An annual action plan had not been prepared with regard to main matters to be implemented by the Sabha according to the by-laws prepared to obtain approval.	An annual action plan should be prepared with regard to the activities to be implemented according to by-laws.	Action Plan will be prepared after approval of the by-laws by the Eastern Provincial Council in due course.

(c) Solid Wastes Management

Audit observation	Recommendation	Comments of the Accounting Officer
While 8,000 bags had been purchased for a sum of Rs. 216,000 for classification of solid wastes, according to the Management Committee Meeting dated 08 July 2017, up to now 1,028 bags had been issued and 6,972 bags remained idle in the stores.	Action should be taken to prepare plans for classification and collection of solid wastes after making a roper study.	Classified solid wastes were collected after making a public awareness with regard to classification and collection works of solid wastes. The classification works were temporary stopped on the grounds of inconvenience caused to general public due to accumulation of wastes so collected at the collection Centre. After operation of the Kawashika Machine

producing 50 tons of compost fertilizer daily, fixed by the Ministry of Provincial Councils and Local Government, it is proposed to get classified wastes and action will be taken to distribute the bags among general public.

(d) Sustainable Development Goals

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
According to Sri Lanka Sustainable Development Act No. 19 of 2017, every public institution should act in compliance with United Nations Agenda – 2031. However, action had not been taken identify the goals and reach those.	Action should be taken to identify the sustainable development goals, indexes should be identified for measuring those and to reach those.	Sustainable Development Programs are being identified at present to reach those goals. Action will be taken to reach these goals soon after completion of this work in due course.

3.2 Management Inefficiencies

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Action had not been taken to transfer ownership of lands in favor of the Sabha, where office buildings, public libraries, public fare, public cemeteries, bones grinding mill, children parks, community centers and animal laugher house are located.	Action should be taken to vest the lands belong to the Sabha under Government Lands Ordinance.	Action will be taken soon to vest ownership of 26 lands identified up to now in favor of the Sabha of which ownership not transferred.
(b) In terms of Employees Provident Fund Act No. 16 of 1958 and Employees Trust Fund Act No. 46 of 1980, contributions should be	Provisions in the Acts should be complied with.	EPF and ETF contributions of the temporary employees were computed on the basis of the basic salary and remitted. EPF and ETF Contribution will be

computed based on the monthly gross salary. However, EPF and ETF contribution had been computed on the basis of the basis salary and remitted to those funds.

computed on the basis of gross salary from ensuing month onward.

(c) According to the recommendation of the Annual Boards of Survey for the period from the year 2012 to the year under review there had been shortages of 238 items of 35 categories of goods. However, the Sabha had not taken action in this regard up to 17 September 2018.

After taking the required decision by the Sabha in this connection, approval of the Assistant Commissioner of Local Government and Commissioner of Local Government should be obtained and act accordingly.

This had taken place during the period prior to the year 2012. The Chairman at that time has been deceased and therefore necessary action will be taken by the Sabha to write-off this.

(d) Action had not been taken to transfer the ownership of 02 vehicles obtained from other institutions and utilized by the Sabha, in favor of the Sabha

Action should be taken to transfer the ownership of vehicles in favor of the Sabha.

Action will be taken transfer the ownership of relevant vehicles.

3.3 Human Resources Management

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
(a) Action had not been taken to fill 8 vacancies in 7 categories of posts during the year under review.	Action should be taken to fill the vacancies in the posts of the Sabha.	Monthly report relating to staff is sent to the Eastern Provincial Council. Necessary action in this connection is taken by the Eastern provincial Council.

- (b) While the Sabha is getting annual revenue of Rs. 56 million, the Sabha had not taken action to fill the post of Secretary being the chief post of the Sabha, although it had been vacant since the year 2017.
- Action should be taken to fill the vacancies in the chief posts of the Sabha.
- Monthly report relating to staff is sent to the Eastern Provincial Council. Necessary action in this connection is taken by the Eastern provincial Council.
- (c) Activities such as identification of revenue sources, recovery of trade licenses and other income had not been implemented as recruitments had not been made for the posts of Revenue Inspectors of the Sabha.
- Action should be taken to fill the vacancies in the posts of the Sabha.
- While the Eastern Chief Minister's Office was informed to take necessary action to fill the two posts of revenue inspectors, it was stated that there is shortage of revenue inspectors and promised to provide revenue inspectors to be recruited through examinations in the near future.
- (d) The post of JCB Machine Operator had been vacant since the last four years.
- Action should be taken to fill the vacancies in the posts of the Sabha.
- Monthly report relating to staff is sent to the Eastern Provincial Council. Necessary action in this connection is taken by the Eastern provincial Council.
- (e) Action had not been taken up to the end of the year under review to recover the loan balance of Rs. 169,135 in arrears due from 07 officers since the year 2015 to the year under review.
- Action should be taken to recover loan amount in arrears from the relevant persons or guarantors.
- Action will be taken to recover loan balances of officers who are in service at present from the relevant departments.

3.4 Operational Inefficiencies

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
(a) Action in terms of section 134 of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken to survey and recover rates from trade stalls and houses located in the area of authority of the Sabha. Due to that, approximate annual revenue of Rs. 2,500,000 had been lost.	Sabha income could be increased by taking action to identify the developed areas in the in area of authority of the Sabha and recovering rates from those areas.	Action will be taken to recover this tax in due course.
(b) It had not been possible to recover license fees for the additional advertisement boards erected by private entities for the sale of their trading goods in the area of authority of the Sabha as relevant bylaws had not been imposed by the Sabha. Due to that, annual revenue of Rs. 120,000 had been lost.	Action should be taken to recover publicity advertisement board charges as per by-laws.	Necessary action will be taken to recover this full amount in due course.

3.5 Assets management

3.51 Non-recoding Assets

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
Although total value of land and buildings belong to Sabha as at the end of the year under review had been shown as Rs. 136,044,854, in the accounts, action had not been taken to record movable and non-	Register of Fixed Assets should be properly updated and disclose in the accounts.	Action has been taken to record movable and immovable assets in the relevant registers.

movable assets in the Register of Fixed Assets.

3.5.2 Failure to carryout maintenance and repairs

Audit Observation	Recommendation	Comments of the Accounting Officer
A Tractor, 03 Water Browsers, Single Drum Vibrator etc., belong to the Sabha had been parked over a number of years without being repaired. Necessary action had not been taken to repair these.	Action should be taken to dispose or repair the vehicles as per recommendations of the Annual Board of Survey.	Action is being taken to repair or sell the Tractor, 03 Water Browsers, Single Drum Vibrator belong to the Sabha after informing Deputy Chief Secretary (Engineer), as those are in complete defunct condition.

3.5.3 Idle or Under-utilized Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
Animal Bones Grinding Centre constructed in the Pallakkadu Village constructed utilizing Rs. 1,400,000 provided under Provincial Development Specific Grants during the year 2014 and machinery purchased for that remained idle without taking action to use.	Action should be taken to earn revenue to the Sabha by implementing Solid Wastes Management Centre.	Three phase line electric was required to operate the Animal Bones Grinding Centre and therefore machines were not operated. At present electricity connection has been obtained and action will be taken operate this as soon as possible.

3.6 Procurement

3.6.1 Procurement Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
Pradeshya Sabha should prepare the Procurement Plan	Action should be taken to prepare the Procurement Plan	Necessary action will be taken to prepare the Procurement Plan for

for supplies and services for as per procurement guidelines supplies and services by the
the year under review. according to the needs of the Sabha.
However, a Procurement Sabha.
Plan for supplies and services
had not been prepared.

4. Accountability and Good Governance

4.1 Unsettled Observations

Audit Observation	Recommendation	Comments of the Accounting Officer --
(a) Action in terms of financial regulation 104 had not been taken up to 17 September 2018, with regard to electrical equipment valued at Rs. 96,932 lost during the year 2005 and 02 solar power lamps purchased for a sum of 170,000 during the year 2004 and fixed on Palamune – Oluvil main road and stolen on 20 December 2015.	Action should have been taken during the relevant period.	Electrical goods valued at Rs. 96,395 is shown continuously in the stores register for the year 2005. With regard to theft of 02 solar power lamps purchased and fixed by the Sabha on Meenodai Kattu Palamuna Road, complains have been made to the Police.
(b) Meat Stalls Rent amounting to Rs. 273,30 was in arrears during a period of five years as at 31 December 2017.	Action should be taken to recover lease rent.	Meat stalls holder was informed. It had not been possible to take legal action against him, as is away from the country.

4.2 Systems and Controls

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Revenue Management	Action should be taken to recover arrears of revenue.	Action will be taken to rectify these lapses in due course.
(b) Budgetary Control	Attention should be made with regard to actual expenditure of the past years	Action has been taken to pay special attention for fixed assets control.
(c) Fixed Assets Control	(i) Fixed Assets Register should be maintained. (ii) Action should be taken to utilize fixed assets remaining idle without being used by the Sabha.	