

Samanthurai Pradeshiya Sabha

Ampara District

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1. Financial Statements

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1.1 Presentation of Financial Statements

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While Financial Statements for the year 2018 had been presented to audit on 15 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

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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 Samanthurai 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

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(a) Accounting Deficiencies

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**Audit Observation**

**Recommendation**

**Comments of the Accounting Officer**

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| (i)  | While the stock balance of Rs.843,353 as at 31 December 2018 had been shown as Electricity debtors, without being shown as Stores Goods in the financial statements, Electricity Debtors balance of Rs.229,705 had been omitted in the accounts. | Relevant amounts should be shown under relevant accounts without omission. | This is an error in accounting. Will be accounted under correct head in due course. |
| (ii) | The cost of house hold goods, equipment and library books auctioned and destroyed according to annual boards of survey   | Action should be taken to remove the relevant amounts.                     | The cost will be adjusted in due course.  |

reports for the years 2017 and 2018 had not been written off from the accounts.

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| (iii) | Value of 672 books amounting to Rs. 476,155 received as donations from Asia Foundation, Community Establishments and other individuals during the year 2017 had not been accounted.  | Value of relevant books should be accounted.                                 | Relevant value will be accounted and rectified in due course.              |
| (iv)  | Although the value of 5 vehicles provided to the Pradeshiya Sabha during the years 2014 and 2015 from the Ministry of Provincial Councils and Local Government was shown as Rs. 61,003,982 as informed by the Ministry, it had been shown as Rs. 57,695,000 in the financial statements. Due to that, Fixed Assets and Accumulated Fund had been understated by Rs. 3,308,982. | Market value should be recorded in the accounts as informed by the Ministry. | Relevant adjustments will be made as informed in the letter in due course. |

(b) Non-reconciled Account

**Audit Observation**

**Recommendation**

**Comments of the Accounting Officer**

Flowing differences were observed between the Rates balance as per financial statements presented for the year under review and balances shown in the relevant subsidiary registers.

Action should be taken to reconcile differences in relevant balances and to make adjustments in the accounts.

There could be differences due to temporary assessments of stalls and fine recoveries.

Rates Recovery	As per Financial Statements	As per Rates Roisters	Difference
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	Rs.	Rs.	Rs.
Balance as at 01.01.2018	13,405,363	19,362,697	5,957,334
Revenue billed	4,329,858	5,316,457	986,599
Balance as at 31.12.2018	1,422,133	21,366,064	6,943,931

**(c) Lack of Written Evidence**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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Nine items of Accounts totaling Rs. 29,811,585 could not be satisfactorily vouched in audit due to non-submission of deeds of lands, fixed assets registers, board of survey reports stock registers and confirmation of balances.	Relevant Evidence should be submitted.	Action will be taken to provide in due course.

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 (Financial Administrative) Rules of 1988. Chapter x Section 193	Information relating to actual revenue and expenditure had not been compared with the budget and a statement had not been prepared showing reasons for surpluses and deficits and submitted to audit.	Statements should be prepared within the relevant period and should be furnished to audit	Relevant procedure had not been followed up to now. A statement explaining relevant budget variations for the year 2019 will be prepared and submitted in due course.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial Regulation 571	Action had not taken to refund to relevant parties or to credit to revenue with regard to 229 deposits valued at Rs. 3,543,490 which had elapsed two years.	Financial regulations should be complied with.	This got delayed due to lack of information relating to addresses of the depositors to a large extent. Necessary steps have been initiated to look into this and to take action accordingly.

#### 1.4.2 Non-compliance with Tax Requirements

Audit Observation	Recommendation	Comments of the Accounting Officer.
Although Value Added Tax amounting to Rs. 260,154 had been recovered, it had been retained in the Deposit	Action should be taken to remit to the relevant department within the relevant period.	Action will be taken again to remit the Value Added Tax in the Deposits account.

## 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. 10,943,411 as compared with corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.10,855,743 .

## 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	3,907,719	4,329,859	3,313,089	14,422,133	3,888,000	3,981,892	2,246,000	13,405,364
Rent	20,271,858	20,361,397	20,873,137	8,478,021	19,292,000	19,008,129	19,670,000	8,989,761
License Fees	1,300,000	1,408,166	1,408,166	-	900,000	1,231,500	1,231,000	-
Other Revenue	20,640,000	22,315,754	22,315,754	-	18,153,000	17,077,927	17,078,000	-

## 2.2.2 Performance in Revenue Collection

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
A sum of Rs. 47,910,146 had been recovered by the Sabha during the year under review out of revenue to be collected amounting to Rs.70,810,301. Accordingly, progress in revenue collection had been 60 percent.	Revenue for the year under review together with arrears amount of the preceding year should be recovered.	Not replied.

## 2.2.3 Rates and Taxes

### **Audit Observation**

In terms of Gazette notification No. 1808 dated 26 April 2013 of the Democratic Socialist Republic of Sri Lanka, it had been declared to assess the properties in 22 Grama Niladhari Divisions in the area of authority of the Sabha. However, the work relating to assessment of properties had not been completed even up to the end of the year under review. Accordingly, the opportunity to recover Rates Revenue from the relevant Grama Seva Niladhari Divisions had been lost.

## 2.2.4 Rent

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer.</b>
Although 88 stalls in the Samanthurai Public Market had been leased out during the year 2018, action had not been taken to sign agreements after the year 2003.	Action should be taken to renew the lease agreements.	It had been delayed due to the assessment procedure relevant to the stalls. At present the officers have arrived and assessment is in progress. New assessed rent will be recovered immediacy after receiving the assessment reports.

## 2.2.5 License Fees

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer.</b>
(a) Recovery of charges for more than 35 advertisement boards in	Action should be taken to recover advertisement	Although the relevant trading establishments were informed in

for the area of the authority in terms of Pradeshiys Sabha Section 126(vii)(f) of the Pradeshiya Sabha act No o. 15 of made up to 30 had not been 1987 .May 2019

board charges as per Pradeshiya Sabha Act.

writing, payments were not made stating that they are making payments to the Roads Development Authority.

(b) Action had not been taken touring the year under review to construct supporting structures for fixing advertismment boards to provide facilities for publicity advertismments and to enhance Sections 122 revenue in terms of and 126 of the Pradeshiya Sabha .Act No. 15 of 1987

Action should be taken to enhance the publicity advertismments revenue.

Action has been taken to fix publicity advertismments according to digital system and obtain financial grants. However, relevant work has been delayed due to political situation and dissolution of Provincial Councils. This project will be implemented this year after obtaining financial grants from a ministry.

(c) Stalls had been leased out to 14 individuals who lost lands in construction of the Samanthurai Public Maket including the Divisional Secretary, Members of .Parliament and District Secretary According to clause 10 of the the agreement entered into dated it had been stated ,ly 2003Ju 08 the agreements should be revised after first 05 years and once in 03 years thereafter. However, these agreements remained unrevised .of 15 years even after the expiry

Action should be taken to renew the agreements.

The lessees refuse payment of taxes as the revant fair is not functioning. Legal action has been initiated against those paries. Stalls are kept closed by us. Action will be taken to lease ut by calling for fresh o quotations after carrying out .repairs

### 2.2.6 Other Revenue

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**Audit Observation**  
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**Recommendation**  
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**Comments of the Accounting Officer.**  
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(a) The Sabha had not raken action upto the end of the year under review to recover arrears amount of Rs.1,751,340 due on account of leasing the meat

Action should be taken to recover arrears amount together with revenue for the year under revview.

Cases have been filed against defaulters in payment of meat stalls lease money. Action will be taken against the other persons based on the judgements.

stalls up to the year 2018.

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| (b) | <p>Conditions had not been included in the agreements during the year under review, with regard to fines to be recovered or course of legal action in the event of delays in paying lease money or defaulting payment by the lessees of meat stalls. Due to this, the Sabha had faced with various problems with regard to recovery of arrears amounts.</p> | <p>Action should be taken to include the condition clearly in preparing the agreement.</p> | <p>The Sabha has taken a decision to appoint a lawyer to solve some problems such as delaying payment of lease money by lessees, recovery of fines, lease agreements, calling for quotations. Action will be taken to prepare agreement documents for the year 2020 through this officer and to rectify the deficiencies mentioned above.</p> |
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**2.2.7 Stamp Fees**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer.</b>
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<p>Action had not been taken to recover additional stamp fees recovered directly and through mobile service when transferring the immovable properties in the area of authority of the Sabha during the period 2017 and up to December 2018 from the Eastern Prince Revenue Department.</p>	<p>Action should be taken to prepare documents relevant to additional stamp fees and recover the stamp fees.</p>	<p>Relevant form for obtaining details of stamp fees for the period from January to December 2018 of Kalmunai Land Registrar's Department were prepared and sent to the attention of the Land Registrar. After handing over these documents, action will be taken to prepare stamp fees documents relevant to the amount in arrears.</p>

**3. Operating Review**

**31. Performance**

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**

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**Audit Observation**  
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According to of Section 126 of the Pradeshiya Sabha Act No. 15 of 1987, by-laws should be prepared and imposed for main matters. However, by by-laws had been imposed for 05 matters only as at 31 December 2018.

(b) Action plan

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**Audit Observation**  
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**Recommendation**  
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**Comments of the Accounting Officer.**  
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An annual action plan had not been prepared for works to be implemented by the Sabha according to 06 by-law imposed.

An annual action plan should be prepared.

Action Plan will be prepared in liaison with the relevant officers in due course.

(c) Delays in performance activities

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**Audit Observation**  
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**Recommendation**  
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**Comments of the Accounting Officer.**  
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Delays were observed in performing following three activities

- (i) Widening and Asphalt Laying for Vandu Vaikkal Road
- (ii) Construction of Asphalt concrete Laying for Mal 2<sup>nd</sup> Cross Road.
- (iii) Construction of Asphalt concrete Road and Drainage for Ismailpuram Road.

Action should be taken as per procurement guidelines and agreements with regard to delays in relevant activities.

The contractor had not done necessary action to expedite work. Whille the work of this contract is taking place at a slow phase, the entire process of awarding contracts is performed by the office of the Commissioner of Local .Government

(d) **Sustainable Development Goals**

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer.</b> -----
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 to 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.	A sum of Rs. 500,000 was allocated for eliminating poverty as per sustainable development goal 05 and implemented by granting it to women for improving living condition during the year 2018. Funds were allocated and implemented road development works and construction of new roads which is an important part in elimination of poverty as well

3.2 Management Inefficiencies

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer.</b> -----
(a) Action had not been taken to transfer ownership of 48 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.	Necessary action should be taken to get the deeds.	Action has been commenced already. This had not been followed up. Relevant work will be continued.
(b) Contributions to the Employees Provident Fund recovered amounting to Rs. 60,811 from 08 employees during the years 2017 and 2018 and contributions to the Widows and Orphans Fund recovered amounting to Rs. 411, 583 from 19 employees had been kept in deposit without being remitted to the relevant funds.	Relevant recoveries and contributions should be remitted to the relevant funds	Action has been taken to remit the contributions to the relevant funds.

3.3 **Failure to carryout maintenance and repairs**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer.</b>
Two tractors had been parked since the years 2016 and 2017 respectively, without being repaired.	Action should be taken to dispose or repair.	While one tractor out of two tractors in defunct condition has been sent to the Eastern Province Mechanical Engineer for sale, a technical report has been requested from the SLTB Engineer to repair the other tractor.

3.4 **Procurement Plan**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer.</b>
A Procurement Plan had not been prepared.	A Procurement Plan should be prepared for the ensuing year.	The officers who were trained in this connection have left on transfers and this will be settled by getting their co-operation in due course.

4. **Accountability and Good Governance**

4.1 **Internal Audit**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer.</b>
An internal audit had not been in operation during the year under review.	Action should be taken to establish an internal audit division.	These functions were fulfilled by experienced officers who had served in the Local Government Institutions. It was not possible to do this work due to transfers. These functions will be performed by the new officers who came on transfers.

**Unsettled Audit Observations**

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer.</b> -----
<p>(a) According to the written statement received in audit, with regard to leasing out 84 stalls situated in the Hidjra Public Fair constructed during the year 1999, private stalls situated near this fair have been leased out for a monthly Rs.6,000 rent in a range from to 20,000. However, the stalls belong to the Sabha had been leased out for monthly rents in a range between Rs. 585 and Rs. 20,000 without calling for fresh quotations, causing an annual loss of about Rs. 2,700, .000</p>	<p>Rent of stalls -re should be assessed, lease agreement should be renewed and should be leased out according to condition in the .agreements</p>	<p>While valuation officers have come on 21.02.2019 for assessment of stalls, and assessments have been done, it has been informed that the report will be given during this week. Action will be taken to increase the .rent on receipt of that report</p>
<p>(b) Action had not been taken to settle advances amounting to Rs. 6,584,277 which were being shown in the financial statements for a period of years, without more than 14 any documents to confirm</p>	<p>Action should be taken to settle the -advances or to write off from the .accounts</p>	<p>Action had not been taken to settle due to lack of relevant documents. Action will be taken to trace from office. the documents in the old .documents</p>