

Thirikkovil Pradeshiya Sabha
Ampara District

Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented for audit on 15 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 on 31 May 2019 .

1.2 Qualified Opinion

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

(a) Accounting Deficiencies

	Audit Observation	Recommendation	Comments of the Accounting Officer
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(i)	Value of lands owned by the Sabha had neither been assessed nor shown in accounts.	Value of land should be assessed and brought to accounts.	Action will be taken in future.
(ii)	Value of 12 vehicdles owned by the Sabha currently being used had neither been assessed nor brought to accounts.	Value of motor vehicles should be shown under Fixed Assets.	Action will be taken to assess final value of vehicles by deducting depreciation and live period and shown the same in final accounts 2019.
(iii)	Due to non bringing of the value of books 105 and 104 respectively received as donations of 2017 and the year under review to accounts, Accumulated Flund and Fixed Assets had been under stated.	Value should be assessed during the respective period itself and shown under Fixed Assets.	This vehicle has been assessed and action will be taken to show the same in final accounts 2019. Its current valuation is Rs.35,805 and the same will be brought to accounts of 2019.
(iv)	Under National Empowerment programme 2017, public market stalls of Thampiluvil had been expanded at a cost of Rs.. 16,867,702. However action had	Action should be taken to assess the value of old public market building	The old building's value of Rs. 1,600,000 is under stted in accounts of 2019.

not been taken to deduct the value of old public market from accounts. and deduct the same from accounts.

(b) Lack of Documentary Evidence for Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
05 items of accounts aggregating Rs.98,151,566 could not be satisfactorily verified due to non-rendering of Deeds, Fixed Assets Register, documents supporting ownership, survey reports and Advance Register.	Evidence should be submitted to confirm accounts balance shown in financial statements.	Those seperated from financial statements of 2013 and documentary evidence supporting the same could not be obtained and action will be taken to obtain the same in future.

1.4 Non Compliance

1.4.1 Non Compliance with Law, Rules, Regulations and Management Decisions

Instances of non-compliance with Laws, Rules, Regulations and Management Decisions are as follows.

Reference to Laws, Rules, Regulations and Management Decisions	Non Compliance	Recommendation	Comments of the Accounting Officer
(a) Section 12(1) and (2) of the Pradeshiya Sabha Act No.15 of 1987 and Sub Section 31(1) of the Gazette Notification No.488/16 dated 13 January 1988 of the Ministry of Local Government, Housing and	Although seperate committees had been appointed to deal with the matters of policy planning, housing constructions, social development, technology services, environment and common amenities of the Sabha to enable for decision taking to make easier the functions of Pradeshiya Sabhas, only 02 meetings have been held upto date.	Provisions of the relevant Act and directives of Gazette notification should be adhered to.	Action will be taken to hold meetings in future to make easier the performance of duties.

	Construction			
(b)	Pradeshiya Sabha (Finance and Administration) Rules Section 193	Statement giving reasons for excesses and shortages had not been submitted with the budget for audit.	The respective rules should be adhered to.	Such documents had not been requested earlier and action will be taken to furnish the same with the financial statements in future.
(c)	F R 571 of the Democratic Socialist Republic of Sri Lanka	With regard to 44 matured deposits having exceeded two years action had not been taken either to repay them to respective individuals or to transfer to the Revenue Account.	Action should be taken in terms of Financial Regulation in dealing with expired deposits.	Having identified those shortcomings, suitable action will be taken in future and financial statement of 2019 will be submitted accordingly.
(d)	Treasury Circular No. IAI/2002/2 dated 28 November 2002	Seperate Assets Register had not been maintained in respect of 11 computer accessories and soft ware.	Action should be taken in terms of the relevant Treasury Circular.	Noted and submitted in future.

1.4.2 Non Conformity with Tax requirements

Audit Observation

Recommendation

Comments of the Accounting Officer

Financial statements had been submitted for 08 years without any documents on Nation Building Tax of Rs. 32,412 Tax of Rs. 34,132 VAT and Stamp fees of Rs. 66,544 recovered before 2012.

Information should be collected and submitted to the Department of Inland Revenue.

When preparation of financial statements of 2019 action will be taken to send them to the Dept. of Inland Revenue or transfer to revenue.

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2018 amounted to Rs. 6,932,720 as compared with the excess of the recurrent expenditure over revenue of the preceding year amounted to Rs. 3,005,795.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue collected and the Arrears of Revenue.

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below

Source of Revenue	2018				2017				
	Estimated Revenue	Billed Revenue	Collected Revenue	Total in arrears as at 31 Decemb	Estimated Revenue	Collected Revenue	Total in arrears as at 31 Decemb		
	Rs.	Rs.	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.
Rates & Taxes	13,500	4,000	9,110	2,112		40,000	5,648	5,648	7,222
Lease Rent	3,425,000	3,850,642	3,928,518	2,474,142		3,295,000	3,378,113	3,213,038	2,552,018
Licence fee	667,500	697,410	708,135	7,230		687,500	586,000	586,000	17,955
Other Revenue	4,216,000	11,362,572	11,362,572	-		6,405,000	2,343,391	2,343,391	-

2.2.2 Rent

Audit Observation

Recommendation

Comments of the Accounting Officer

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| (a) Action had not been taken to recover rent on arrears amounting to Rs. 934,190. | Action should be taken to recover revenue in arrears on time. | Action will be taken to recover revenue in arrears on time. |
| (b) Trade licence fee of the year under review had not been recovered from 07 communication Towers erected within the authority area of the Sabha. | Action should be taken to recover revenue in arrears on time . | Action has been taken to recover revenue in arrears of 2018 and 2019.. |
| (c) Rent in arrears as at 31 Dec. 2018 amounting to Rs. 1,539,952 had not been recovered during the year under review from 84 lessees. | Action should be taken to recover revenue in arrears on time . | It has been decided to take legal action against defaulters of payment. |

2.2.3 Court Fines & Stamp Fees

Audit Observation	Recommendation	Comments of the Accounting Officer
Court fines of Rs. 406,666 and stamp fees of Rs. 3,151,200 as at 31 December 2018 are to be recovered from Provincial Council Chief Secretary and other Authorities	Action should be taken to recover revenue in arrears on time.	It is not possible to calculate before the end of the year. Future action will be taken based on publications and requests received from relevant institutions. At present all matters have been completed.

3. Operating Review

3.1 Performance

The following matters were revealed with regard to duties and functions to be fulfilled by the Sabha under Section 03 of the Pradeshiya Sabha Act such as regulation of control of matter relating to public health, common amenities and public highways, healthy environment of the public facilities and welfare etc.

(a) By-Laws

Audit Observation	Recommendation	Comments of the Accounting Officer
Although by-laws have to be made and enforced to deal with 20 main issues as per Section 126 of the Pradeshiya Sabha Act No.15 of 1987 no action had not been initiated to draft by-laws for 19 issues..	Action should be taken to obtain approval for by laws which were submitted for approval and also to draft by-laws in respect of other issues.	The matter of drafting by laws was discussed of the Sabha meeting held in May 2019 Accordingly action will be taken to draft suitable by-laws and relevant changes to published through Gazette.

(b) Action Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
Annual Action plan had not been prepared on main aspects to be implemented by the Sabha with regard to the disposal of solid waste materials.	Annual Action plan should be prepared.	Action will be taken to prepare Annual Action Plan.

(c) Solid Waste Material Management

Audit Observation

Solid waste material collecting centre established at Mandanai remained idle for 05 months in the absence of demand for organic fertilizer and irregularity of their marketing leading to the loss of revenue.

Recommendation

Income earning of the Sabha should be strengthened through introduction of formal marketing of compost fertilizer .

Comments of the Accounting Officer

As 50 kg fertilizer bag is given to farmer at concessory price of Rs.350/- by the Dept. of Agriculture of with saving of Rs.150 out of 50 kg bag, farmers prefer to use those fertilizer.

(d) Environmental Issues

Audit Observation

Due to non operation of solid waste material centre at Mandanai for 05 months waste material dumped were seen pilling up without being sorted out.

Recommendation

Solid waste material should be obtained unmixed.

Comments of the Accounting Officer

This land being waste dumping ground it should be got earth filling. Requests had been made to the Divisional Secretary to obtain a new waste dumping ground and it had been informed that a land has been set apart in Wilgamuwa for this purpose. When we reached there to clear the land, there was a public protest. Accordingly we have made a request to get another place and when this place is received action will be taken to sort out solid waste before dumping them on to the new spot.

(e) Sustainable Development Targets

Audit Observation

The Sabha had not taken action to prepare measuring indicators with regard to Sustainable

Recommendation

Targets should be identified and

Comments of the Accounting Officer

Action will be taken in future to prepare measuring

Development targets.

indicators prepared to measure those targets, while efforts should be made for their achievement. indicators.

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Although it has been mentioned that deeds have been lost in respect of lands upon which office building, public library, public fair and fish trade centre have been constructed, action had not been taken to obtain copies thereof.	Action should be taken to obtain copies of Deeds.	Action will be taken to obtain copies of those Deeds in future.
(b) Although the Sabha had been utilizing 06 vehicles and 03 tractors received as donations, action had not been taken to transfer them in the name of the Sabha .	Vehicles being used by the Sabha should be transferred in the name of the Sabha..	Action will be taken to rectify in future.
(c) Under Pradeshiya Sabha Augmentation Programme 2017, construction of Vinayapuram Bus Stand commenced on an estimate of Rs. 167,000. However it had been suspended after spending a sum of Rs76,165 due to border dispute with Road Development Authority. Now the site remain idle.	The undertaking should be completed to be utilized by the public.	At present border dispute has been settled and early action will be taken to complete constructions.
(d) As per Employees Provident Fund Act No.16 of 1958 and Employees Trust Fund Act No.46 of 1980, contribution should be calculated on monthly gross salary. However during the year under review those contribution had been calculated on the basic salary,	Contributions should be calculated on gross salary.	Action will be taken to calculate on gross.

3.3 Human Resources Management

Audit Observation	Recommendation	Comments of the Accounting Officer
Action had not been taken to recover loan balance of Rs.. 148,738 from 02 employees o the Sabha.	Action should be taken to recover loan balance in arrears.	These two employees died. Action will be taken to make recovery from their death gratuity.

3.4 Operational Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) Non recovery licence fees for notice boards additionally established for publication of advertisements of private institutions in the authority area caused by it failure to enforce by-laws resulted in the loss of an annual revenue of Rs. 120,000 to the Sabha.</p>	<p>Action should be taken to recover notice board fees from private institution by enforcing by-laws whereby increasing revenue of the Sabha.</p>	<p>In the past by laws had not been entered by the Pradeshiya Sabha. At present action has been taken to enforce by laws. This matter was discussed at the Sabha meeting held in May 2019 at which it has been agreed to draft suitable by-laws and publish the same in the Gazette.</p>

3.5 Assets Management

3.5.1 Non Registration of Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>Value of lands and buildings owned by the Sabha at the end of the year under review had been stated in accounts as Rs. 205,070,770. However it had not been included in the Fixed and Current Assets Register</p>	<p>Fixed Assets Register should be updated to make necessary revelation.</p>	<p>Separate Register had not been maintained for this purpose fixed asset had been entered in the stock register. Further fixed assets had been stated separately in final accounts.</p>

3.5.2 Non Implementation of Maintenance/Repairs

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>03 tractors, 03 rollers and one bowzer of the Sabha awaiting repairs remained unused over 05 years. Now they are in unusable condition.</p>	<p>On the recommendation of the Annual Board of Survey action should be taken to either to repair and reuse vehicle.</p>	<p>If provisions are received, action will be taken to repair all vehicles..</p>

3.5.3 Idle and Under Utilized Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The public fair building at Vinayakapuram constructed at a cost of Rs.5 million under provisions from Union of Europe was acquired by the Sabha in 2017. Due to construction of the building in a place where low public movement are reported 02 stalls out of 05 remain idle upto 24 May 2019.	Fixed Assets should be put into productive use.	Following the construction of the building and commencing businesses, the public were reluctant to buy goods at fair of Vinayakapuram. Hence it has been difficult to rent out stalls.
(b) 05 out of 12 stalls in central fair of Thampiluvil remained unused for more than 04 years.	Assets of the Sabha should be put into use in a productive manner.	Although press advertisement had been published several time, traders were reluctanted to obtain stalls.
(c) Although compost manufacturing plant had been purchased in 2012 at a cost of Rs. 101,532, it remained non operative since January 2019 without putting into use for the relevant purpose.	Assets of the Sabha should be put into use in a productive manner	Early action will be taken to repair this machine.

3.5.4 Annual Board of Survey

Audit Observation	Recommendation	Comments of the Accounting Officer
At the Board of Survey 2017 conducted during the year under review had recommended the selling and destroying of 62 books and 178 of goods. However, action had not been taken regarding the same upto 24 May 2019.	Recommendations of the Annual Board of Survey should be implemented as scheduled.	Goods entered in Form 47 during 2017 have now been included. They will be repaired sold or destroyed after having approval.

3.6 Procurement

3.6.1 Procurement Plan

Audit Observation

Recommendation

Comments of the Accounting Officer

Procurement Plan had not been prepared

A procurement plan should be prepared in accordance with Procurement Guideline and with the requirements of the Sabha

Action will be taken to prepare in future.

3.6.2 Contract Administration

Audit Observation

Recommendation

Comments of the Accounting Officer

Extension of electric fence around compost fertilizer production complex at Mandanai at a cost of Rs. 500,000 under Provincial Specific Development Assistance completed and payment made on 18 October 2018. However even after 05 months it remain idle due to disconnection of electricity.

This should be repaired and to ensure security.

At the time of erecting the fence the Battery to which the provide electricity to the fence had not been operated. Therefore imediate action will be taken to repair the fence.

4 Accountability and Good Governance

4.1 Internal Auditing

Audit Observation

Recommendation

Comments of the Accounting Officer

No internal auditing had been carried out during the year under review.

Internal Audit Unit should be established.

Although internal audit inquiry had been carried out for preperation of Internal Audit documents, no formal internal auditing had been undertaken. Action will be

taken to carry out Internal Auditing systematically.

4.2 Audit and Management Committees

Audit Observation

The Sabha had not conducted Internal Audit and Management Committee meetings during the year under review.

Recommendation

Action should be taken to establish and conduct Audit and Management Committee meetings.

Comments of the Accounting Officer

Audit and Management Committee Meetings had so far not been held. The process has now been Commenced and continues to hold meetings in future.