

Puthukkudiyiruppu Pradeshiya Sabha
Mullaitivu District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented to Audit on 31 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 July 2019 and 10 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 Puthukkudiyiruppu 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 Policies

Audit Observation

Accounting policies to be adopted in preparing and submitting the financial statements of the Sabha had not been disclosed in the financial statements for the year under review.

Recommendation

Action should be taken by the Sabha to disclose generally accepted accounting policies adopted in preparing and submitting the financial statements annually, in the financial statements after getting approval properly.

Comment of the Accounting Officer

Action will be taken in future periods.

(b) Lack of Evidences for Audit

Audit Observations

Twenty five lands and vehicle repair totalling Rs. 4,989,659 could not be satisfactorily

Recommendations

Actions should be taken to define properties belonging to the Sabha and obtain land deeds

Comments of the Accounting Officer

Documents had been submitted to Provincial Commissioner General of Land by recommending

vouched or accepted in audit due to non-submission of valuation reports, value of technical evaluation and land survey map.

thereof as per concurrence and approval of relevant Divisional Secretaries, District Secretary, Mullaitivu and Commissioner General of Land properly and assess values thereof through certified land survey maps by an approved valuer or a government valuer and bring to the financial statements.

at land use meetings held at Divisional Secretariat, Puthukkudiyiruppu and Oddusuddan and by granting approval at district level land use meeting. Continuous actions are being taken to issue land documents of the Sabha on behalf of Puthukkudiyiruppu Pradeshiya Sabha.

(c) Accounting Deficiencies

Audit Observations

Books had not been purchased for library. However, a cheque valued at Rs. 482,449 had been drawn on 31 December 2018 and retained at office up to now.

Recommendations

Action should be taken to inquire the officer who certified payment.

Comments of the Accounting Officer

The books to be received by us had not been sent, thus the cheque had not been issued. I kindly informed that purchasing activities will be carried out in future periods without being occurred such errors.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

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) Pradeshiya Sabhas (Financial and Administrative) Rule of the year 1988			
(i) Section 33 of Chapter III	No actions had been taken to carry out a survey in respect of assessment tax.	Actions should be taken to carry out a survey in respect of assessment tax quickly and recover assessment tax from the properties under the purview of the Sabha per annum in every quarter properly and regularize revenue management.	After completing survey activities of the properties, continuous action will be taken for recovering tax.
(ii) Section 140 of Chapter V	It was observed that six advances paid to a Multi-Purpose Cooperative Society totalling Rs. 274,367 had not been settled for the last 08 years and the purpose of issuing such advances had not been made available to audit.	Meaningful actions should be taken by the Sabha to rectify such advances.	Action will be taken to rectify with a decision of the Sabha in the financial statements of this year.
(iii) Section 180 of Chapter IX	Security money had not been obtained from the officers who are responsible for cash and store.	Actions should be taken to obtain security money from the officers who are responsible for cash and store in due periods.	There were 14 officers who were instructed to pay security money at our Sabha. Out of them, 07 officers had been paid totally and those funds had been deposited in fixed

deposit on behalf of such officers. Entire amount had been recovered from rest of 07 officers (June, July and August 2019)

(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka
Financial Regulation 571

Lapsed deposits such as 12 tender deposits, 33 retention money deposits and 33 miscellaneous deposits totalling Rs. 4,901,920 had been retained in the deposit account for a period from 02 to 07 years without being taken meaningful actions in this regard.

The Sabha should check the reasons for non-refunding these lapsed deposits to relevant parties properly and identify those parties accordingly. Further, actions should be taken by the Sabha to refund or rectify such lapsed deposits or credit to revenue with proper approval.

Action will be taken to rectify deposits within this year.

(c) Procurement Manual of the Democratic Socialist Republic of Sri Lanka
Section 5.4.12

After paying Value Added Tax by the Sabha, details thereof had not been forwarded to the Commissioner General of Inland Revenue with a copy of Auditor General before 15th day of the following month.

A continuous action should be taken by the Sabha to submit the details of the Value Added Taxes which paid in a particular month before 15th day of the following month in terms of section

It is certified that it will be forwarded before 15th day of every month in future periods.

1.4.2 Noncompliance with Tax Requirements

Audit Observations	Recommendations	Comments of the Accounting Officer
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(a) It was observed 49 instances that stamp duties totalling Rs. 68,225 to be remitted to the Commissioner General of Inland Revenue had been retained in the deposit account for the last 01 – 24 months without being remitted in terms of Circular No. SEC/Stampduty/2015/03 of 21 April 2015 of Department of Inland Revenue.	Actions should be taken to remit stamp duties in due period as per circular of the Department of Inland Revenue.	Action is being taken to remit stamp duties payable to the Department of Inland Revenue. It is kindly informed that these fees will be remit to the Department of Inland Revenue soon.
(b) Nation building tax totalling Rs. 120,415 had been retained in the deposit account for the last 05 years without being remitted to the Commissioner General of Inland Revenue. It could not be satisfactorily vouched or accepted in audit that it had been credited to revenue account in the year under review subsequently.	The Secretary of the Sabha should identify sources for collecting this tax by obtaining concurrence of Commissioner General of Inland Revenue and complete actions regularly through obtaining proper approval.	It had been credited to revenue in the final accounts of the year ended 31 December 2018 as per instructions given by the provincial audit officers.

1.4.3 Transactions without adequate Authority

Audit Observation	Recommendation	Comment of the Accounting Officer
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Four transactions totalling Rs. 1,781,650 could not be satisfactorily vouched or accepted in audit due to failure to obtain approval of the Sabha.	Payment should be made after getting approval in terms of financial regulation 137.	Approval of the Sabha and approval signature had been obtained for voucher Nos. 177, 178, 180 and 181 for the month of December 2018.

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. 40,570,244 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 51,616,740.

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.
(i) Rates and Taxes	216,000	223,700	223,700	–	180,000	199,500	199,500	–
(ii) Rentals	17,349,000	17,788,141	17,337,131	615,797	15,445,560	16,842,970	16,030,940	812,030
(iii) License Fees	12,530,000	6,805,052	6,805,052	–	2,635,000	10,404,470	10,404,470	–
(iv) Other Revenue	17,444,000	32,726,896	10,591,236	38,152,548	8,870,820	32,729,880	7,307,270	25,422,610
Total	47,539,000	57,543,789	34,957,119	38,768,345	27,131,380	60,176,820	33,942,180	26,234,640

2.2.2 Performance in Collection of Revenue

The budget estimate had not been prepared properly and estimate had not been planned and programmed properly. As a result, variance between the budgeted revenue and actual revenue was incurred.

2.2.3 Rent

Audit Observation

Out of arrears of rents and leases totalling Rs. 615,797 shown in the revenue debtors account, no meaningful actions had been taken to

Recommendation

Meaningful actions should be taken to recover arrears of lease charges of Rs. 615,797 for over two years.

Comment of the Accounting Officer

Continuous actions are being taken.

recover arrears of Rs. 164,760 for the last two years.

2.2.4 License Fees

Audit Observation	Recommendation	Comment of the Accounting Officer
----- Four hundred and eleven trade centers had been functioned under the purview of the sub offices of the Sabha at Olumadu and Puthukkudiyiruppu with temporary trade licence in the year under review without being obtained permanent trade licence. No meaningful actions had been taken to issue permanent trade license even as at end of the year under review.	----- Actions should be taken to identify trade centers functioned without being obtained permanent trade licence and revenue license and meaningful actions should be taken by the Sabha to compute and recover trade tax per year in due periods and bring to revenue account of the Sabha annually.	----- Permanent licenses could not be issued due to non-submission of completed documents by such trade centers to grant permanent trade licence.

2.2.5 Court Fines and Stamp Fees

Audit Observation	Recommendation	Comment of the Accounting Officer
----- Court fines and stamp fees totalling Rs. 36,505,190 and Rs. 1,647,357 respectively had to be received from the Chief Secretary of the Provincial Council and all authorities as at 31 December 2018.	----- Meaningful actions should be taken to obtain court fines belonging to the Sabha by requesting from the Chief Secretary within one year since they were owned.	----- Court fines totalling Rs. 15,788.841.09 for the years 2017 and 2018 had been received now. A request had been forwarded to remit us revenue of Rs. 20,716,349.08 for the year 2018. Out of stamp fees receivable of Rs. 1,647,357.00, a sum of Rs. 1,439,608.00 had been received. Action is being taken to receive balance of Rs. 207,749.00 quickly.

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) Failure to achieve expected output

Audit Observation	Recommendation	Comment of the Accounting Officer
Provision of Rs. 20,926,805 had been made in sundry creditors account for the performance of 06 road rehabilitation activities mentioned in the action plan and shown as expenditure in the year under review. However, the Sabha had failed to take actions to achieve expected output level.	Values of completed works had been computed and shown as capital expenditure in the particular financial year. Out of that, values of certified bills which were not paid to suppliers only should be brought to sundry creditors account. However, the Sabha should take meaningful actions to complete relevant projects in due periods and provide them for general public use.	Fund of such works had been kept in the sundry creditors account. However, works could not be completed in due period due to natural disaster occurred in the country.

(b) Solid Waste Management

Audit Observation	Recommendation	Comment of the Accounting Officer
The activities of burning and burying had only been made by the Sabha in respect of disposing garbage under the purview of the Sabha. Nevertheless, no meaningful actions had been taken by the Sabha in respect of implementing solid waste management including compost and recycling projects.	Meaningful actions should be taken by the Sabha quickly to implement solid waste management including projects related to solid waste management.	Works relating to establish a compost yard had been commenced under the scheme of PSDG-2019. Waste tanks for segregation will be purchased in different colour. Action will be taken to implement solid waste

management by segregating wastes.

(c) **Sustainable Development Goals**

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
In order to achieve Sustainable Development Goals by 2030, targets to be achieved and gaps in achieving those goals and relevant indicators required for measuring the progress as well had not been recognized by the Sabha as per Sustainable Development Act No. 19 of 2017.	Sustainable development goals should be recognized and actions should be taken in terms of the circulars.	Documents had been forwarded to implement with the approval of the Ministry of Local Government on 23 July 2019. Continuous action is being taken.

3.2 Management Inefficiencies

Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
(a) The values of eight vehicles belonging to the Sabha had not been assessed and brought to financial statements for the last 01 to 05 years, thus values thereof had been understated in the financial statements of the year under review.	The values of all vehicles which were being utilized by the Sabha should be brought to financial statements of the Sabha.	Actions are being taken to assess values of the vehicles and bring to the financial statements.
(b) Fourteen capital work schemes totalling Rs. 54.3 million had been abandoned completely without being implemented in the year under review. However, reasons therefor had not been made available to audit.	Annual budget of the Sabha should be prepared on appropriate basis in a useful manner and displayed for obtaining comments from the general public and approved by the Sabha. Accordingly, actions should be taken by the Sabha to carry out annual activities and complete effectively in due periods.	Out of 14 works, 02 works had been completed through a virement procedure. The Sabha had decided to carry out 02 works in future. Rest of 10 works is being carried out in the year 2019 by including work scheme budget of the year 2019.

3.3 Human Resources Management

(a) Vacancies of Cadre

Audit Observation

It was observed in audit that there were delays in development plans of the Sabha to be implemented due to failure to fill 20 staff vacancies of the Sabha in the year under review.

Recommendation

Meaningful actions should be taken by the Commissioner of Local Government/ the Chief Secretary to recruit approved cadre for the posts of revenue inspector, market supervisor, health supervisor, driver, work labourer and sanitary labourer required for the daily activities and work implementations of the Sabha.

Comment of the Accounting Officer

Scheduled vacancies to be filled by related appointing authorities.

(b) Employee Loans

Audit Observation

No meaningful actions had been taken to recover arrears of staff loan amounting to Rs. 170,840 from an officer who was transferred out from the Sabha for the last 15 months.

Recommendation

Actions should be taken by the Sabha from the department which the officer was transferred in.

Comment of the Accounting Officer

Salary of the driver had been stopped. It is kindly informed that the employee loan will be recovered while paying salary to the officer.

3.4 Assets Management

3.4.1 Failure in carrying out Maintenance and Repairing

Audit Observation	Recommendation	Comment of the Accounting Officer
----- Two vehicles issued to the Sabha as donation had remained in damaged condition for the last 02 to 06 years. However, the Sabha had failed to repair and use them as usable manner.	----- Actions should be taken by the Sabha to transfer ownership of the vehicles which obtained as donation to the Sabha and repair and use them in a useful manner.	----- It was mentioned by the annual board of survey in the form of General 47 that a vehicle may sale and it was mentioned that other wheel tractor may repair.

3.4.2 Assets not acquired

Audit Observations	Recommendations	Comments of the Accounting Officer
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(a) No meaningful actions had been taken to obtain vehicle registration books of 15 vehicles which were issued by the Government and Non-Government Organizations and being utilized by the Sabha for the last 06 years.	Actions should be taken by the Sabha to obtain vehicle registration books properly and use vehicles which owned by the Sabha.	Continuous action will be taken in respect of transfer of ownership of vehicles which did not have registration books within end of this year.
(b) No action had been taken to transfer ownership of 08 vehicles which were issued to the Sabha by the Government and Non-Government Organizations as donation to the Pradeshiya Sabha up to now.	Actions should be taken by the Sabha to transfer ownership of 08 vehicles obtained as donation to the Sabha.	It is kindly informed that continuous action will be taken in respect of transfer of ownership of 08 vehicles which did not have registration books within end of the year 2019.

3.4.3 Annual Board of Survey/ Stock Verification

Audit Observation	Recommendation	Comment of the Accounting Officer
----- Follow up actions as per report on annual board of survey for the year under review and Financial Regulation 757 of the Democratic Socialist Republic of Sri Lanka had not been taken by the Sabha.	----- Actions should be taken to take follow up actions to be carried out as per recommendations of annual board of survey and complete before preparing and submitting the financial statements for relevant year.	----- Members to be taken follow up actions of annual board of survey for the year 2018 had been selected. Report in this regard will be forwarded soon by completing final action.

3.5 Procurement

3.5.1 Procurement Plan

Audit Observation	Recommendation	Comment of the Accounting Officer
----- A procurement plan and a procurement time schedule of the Sabha had not been prepared in the year under review and the preceding years.	----- The Sabha should prepare a procurement plan and a procurement time schedule for the next year and obtain approval therefor and act accordingly.	----- Action will be taken to prepare a procurement time schedule separately in future periods.

3.5.2 Supplies and Services

Audit Observation	Recommendation	Comment of the Accounting Officer
----- (a) In terms of section 8.9 of procurement guideline, an accepted letter should be issued by the Procurement entity after accepting a bid submitted by a bidder. Further, a contract should be entered for any goods or services which exceeding Rs. 500,000. However, contrary to that it	----- Actions should be taken in terms of section 8.9 of procurement guideline.	----- It is kindly informed that contracts will be entered in future periods without being occurred such errors.

was observed in audit that a contact had not been entered in respect of purchasing 04 goods totalling Rs. 2,633,736 from three suppliers.

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| <p>(b) In terms of section 2.14.1 of supplementary to the procurement guideline of 2006, when a purchase is ranging between Rs. 1 million to Rs. 5 million, a procurement procedure should be carried out in shopping method by obtaining bid documents from minimum 03 registered bidders. However, five air conditioners valued at Rs. 1,257,000 had been purchased by sending bid documents to one registered supplier only.</p> | <p>Actions should be taken in terms of paragraph 2.14.1 of procurement guideline.</p> | <p>As per newspaper advertisement, one supplier only had obtained quotation from us and submitted. Goods had been purchased accordingly.</p> |
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4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
<p>Budget of the Sabha for the year under review had not been planned and prepared through the proper mechanism, thus, variances ranging from 14 per cent to 97 per cent between 06 categories of the budgeted expenditure and actual expenditure and adverse and favourable variances ranging from 20 per cent to 162 per cent respectively between 05 categories of the budgeted revenue and actual revenue were incurred.</p>	<p>Meaningful actions should be taken by the Sabha to plan, evaluate and implement the items included in the annual budget through the proper mechanism,</p>	<p>Action will be taken to avoid this error in future periods.</p>