

Thunukkai 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 03 April 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 Thunukkai 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, in the financial statements after getting approval properly.

**Comment of the
Accounting Officer**

Action will be taken in future periods.

(b) Lack of Evidence for Audit

Audit Observations

(i) Thirty lands which values were not assessed in different extents and other four lands valued at Rs. 1,917,672 had been

Recommendations

Actions should be taken to define them and obtain land deeds thereof as per concurrence and

**Comments of the
Accounting Officer**

Actions had been taken to obtain land permits of such lands through the Commissioner General of Lands and a

shown in the financial statements in the year under review and the preceding years. However, these items could not be satisfactorily vouched or accepted in audit due to non-submission of deeds, land survey map and valuation certificates thereof.

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.

request had been submitted to the Department of Valuation for assessing lands.

(ii) Seven payments totalling Rs. 3,600,338 could not be satisfactorily vouched or accepted in audit due to non-submission of bill of quantities, work completion certificates, decisions of procurement committee.

Payments should be made after certifying in terms of financial regulation 138.

Certified now.

(c) **Presentation of Financial Statements**

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
(i) In terms sub section 168(i) of section 17 of chapter VII of Pradeshiya Sabhas (Financial and Administrative) Rule of the year 1988, financial statements should be submitted to the Auditor General before 31 March of every year. However, financial statements of the year under review had been submitted to audit only on 03 April 2019 and it was observed a delay in this regard.	Actions should be taken to submit financial statements to audit before 31 March annually.	It is informed that all issues will be rectified in the financial year 2020.

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| (ii) | Cashflow statement for the year under review had not been prepared and submitted to audit. | Cashflow statement should be prepared and submitted to audit. | Action will be taken to prepare cashflow statement from this year. |
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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 66 of Chapter II	No meaningful actions had been taken to recover arrears of revenue valued at Rs. 10,189,336.	<p>Actions should be taken by the Secretary of the Sabha to recover said arrears of revenue annually.</p> <ul style="list-style-type: none"> • Out of this, a case had been filed in respect of lease charge of Rs. 86,681.26. However, that person had deceased. Therefore, actions had been taken to write off arrears. • Court fines will be received in future periods. Receipts in respect of recovered rent and three wheeler rent amounting to Rs.64,450.00 had been annexed. • Stamp duty of Rs. 252,549.00 had been received. A letter had been sent to recover balance of Rs. 1,485.00.

(ii) Section 32 of Chapter III	A register of assessment tax on property had not been maintained by the Sabha.	Action should be taken to maintain and update a register of assessment tax on property annually.	Actions are being taken to declare our area under the purview of the Sabha as developed area. Subsequently, a survey in respect of assessment of tax on property will be carried out.
(iii) Section 33 of Chapter III	A survey in respect of assessment tax had not been carried out.	Actions should be taken to carry out a survey in respect of assessment tax quickly and compute and recover assessment tax per year in every quarter properly from the properties under the purview of the Sabha.	Actions are being taken to declare our area under the purview of the Sabha as developed area. Subsequently, a survey in respect of assessment tax will be carried out.
(iv) Section 59 and 60 of Chapter III	No actions had been taken to carry out a survey in respect of trade tax.	Actions should be taken by the Secretary of the Sabha to carry out a survey in respect of trade tax.	Actions are being taken to declare our area under the purview of the Sabha as developed area. Subsequently, a survey in respect of trade tax will be carried out.
(v) Section 108 of Chapter IV	No actions had been taken to maintain a children park situated at Thunukkai.	Actions should be taken to maintain this park properly which was handed over to the Sabha and modify it in order to utilize by children.	Actions will be taken to obtain provisions through the fund of the Sabha/ other financial aids and complete the works and commence the activities of the park.
(vi) 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.	At present, security money had been received and deposited from the persons who placed first signature and second signature, management assistant who handled store and four drivers at our Sabha.

(b) Procurement Manual of the Democratic Socialist Republic of Sri Lanka Section 5.4.12	After paying Value Added Taxes by the Sabha, details thereof had not been forwarded to the Commissioner General of Inland Revenue with a copy of Auditor General before 15 th 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 15 th day of the following month in terms of section 5.4.12 of said Manual.	Actions will be taken to forward details of VAT which were paid by the Sabha in due periods to the Commissioner General of Inland Revenue with a copy of Auditor General in future periods. It is forwarded from 2019.	
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	(i) Financial Regulation 137	Stationeries had been purchased and payment of Rs. 73,150 had been made without being approved by the Chairman of the Sabha.	Payment should be made after getting approval in terms of Financial Regulation 137.	All actions had been taken and rectified in respect of observations made on Financial Regulation 137.
(ii) Financial Regulation 571	Lapsed deposits of retention money totalling Rs. 93,947 had been retained in the deposit account for the period from 02 to 05 years without being taken actions in this regard.	Actions should be taken to identify and refund these lapsed deposits properly or rectify them or credit to revenue with proper approval.	Out of 07 lapsed deposits, 4 deposits had been transferred to accumulated fund. Out of others, one deposit had been refunded and action had been taken to transfer one deposit to accumulated fund. Action is being taken in respect of one deposit.	
(d) Public Administration Circulars Circular No. 30/2016 of 29 December 2016 of Ministry of Public Administration and Management	Fuel consumption had no been tested for 09 vehicles of the Sabha in the year under review.	Actions should be taken to test fuel consumption of all vehicles which were being used by the Sabha in front of a staff officer at least once a year and certify and submit through daily	Fuel consumption had not been tested in the year 2018. However, above test had been done on 02 July 2019 during this year.	

running chart.

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. 10,337,630 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 9,543,402.

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) Rentals	4,485,450	2,656,630	2,609,480	151,131	4,368,000	2,261,422	2,141,522	119,900
(ii) License Fees	1,054,000	796,000	796,000	–	215,000	293,500	293,500	–
(iii) Other Revenue	6,847,500	11,895,397	4,776,856	10,038,205	4,000,000	5,050,879	–	5,050,879
Total	12,386,950	15,348,027	8,182,336	10,189,336	8,583,000	7,605,801	2,435,022	5,170,779

2.2.2 Performance in Collection of Revenue

Audit Observation

It was observed that recovery of stall rent, lease charges, service charges and surcharges was at poor level. Out of those revenue of Rs. 10.02 million for the year under review, revenue totalling Rs. 2.63 million collected in the year under review was at 26 per cent and it was at 16 per cent out

Recommendation

Actions should be taken by the Sabha properly to compute and recover arrears of revenue to be recovered annually.

Comment of the Accounting Officer

It will be report on the basis of age analysis of arrears of revenue from this year.

of recoverable revenue of Rs. 15.4 million in the preceding years. However, age analysis of arrears of revenue as at the end of the year under review had not been made available to audit

2.2.3 Rent

Audit Observation	Recommendation	Comment of the Accounting Officer
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No meaningful actions had been taken for the last 01 to 06 years to recover stall rent, hire charge of three-wheeler, arrears of lease totalling Rs. 151,131 for the year under review and preceding years.	Meaningful actions should be taken to recover lease charge of Rs. 86,681 remained as arrears for over 6 years quickly.	Stall rent, hire charge of three-wheeler, arrears of lease of the Sabha totalling Rs. 64,450 for the preceding years had been recovered.

2.2.4 Court Fines and Stamp Fees

Audit Observation	Recommendation	Comment of the Accounting Officer
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Court fines and stamp fees totalling Rs. 9,784,171 and Rs. 254,034 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 Chief Secretary within one year since they were owned.	Court fines will be received in future periods and out of stamp fees of Rs. 254,034, a sum of Rs. 252,549 had been recovered. Action had been taken to recover balance of Rs. 1,485.

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) **Action Plan**

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
An annual action plan had not been prepared properly in respect of all categories of activities to be implemented by the Sabha.	Actions should be taken to prepare an annual action plan in the end of the preceding year and implement it by getting approval properly.	An action plan for development works of the Sabha was already prepared and implemented.

(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 continuously to implement solid waste management including the compost and recycling projects.	An effective mechanism should be followed and implemented by the Sabha in respect of disposing solid wastes.	No enough garbage had been collected to subject to recycling and expense of machine was high therefor. As a result, recycling had not been implemented.

(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 the 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.	Continuous actions had been taken to implement it by forwarding documents with the approval of the Ministry of Local Government.

3.2 Management Inefficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
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(a) It was observed that a total sum of Rs. 32.44 million had been invested by the Sabha in fixed deposits of a bank for the last 01 to 10 years without being implemented development work to be implemented as per budget.	Actions should be taken by the Sabha to plan and implement activities to be carried out annually in respect of schemes which could be implemented by using fixed deposits or from revenue thereof properly after getting proper approval.	It had not been deposited in fixed deposits of the Sabha after the year 2016 and above deposits will be withdrawn and utilized for development and revenue earning activities.
(b) No meaningful actions had been taken to transfer ownership of water tank and 08 vehicles such as tractor, etc. donated to the Sabha by various government and private organizations to the Sabha up to now.	Actions should be taken by the Sabha to transfer ownership of water tank and 08 vehicles such as tractor, etc. issued as a donation to the Sabha up to now.	Actions had been taken to obtain registration details for the tractor, trailer and gully bowser.
(c) The values of water tank and trailer belonging to the Sabha had not been assessed and brought to financial statements for the last 05 to 06 years, thus values thereof had been omitted in the financial statements of the year under review.	Actions should be taken to assess the values of the machineries properly by an approved valuer and bring such values to the financial statements	The value of a water tank had been shown in the financial statements of the year 2018. The value of the trailer had been assessed in this year, thus it will be included in the financial statements of this year.
(d) The values of twenty five categories of computer and accessories issued to the Sabha as a donation had not been assessed and brought to financial statements for the last 04 to 08 years, thus values thereof had been	The values of the computer and accessories obtained as a donation and being utilized by the Sabha should be brought to financial statements of the Sabha.	Actions are being taken to assess the values of twenty five categories of such computer and accessories by a committee of valuation and to include values thereof in to the financial statements of this

omitted in the financial statements.

year.

(e) The values of 34 office furniture equipment belonging to the Sabha had not been assessed and brought to financial statements for the last 05 years, thus values thereof had been omitted in the financial statements of the year under review.

Actions should be taken to assess the values of the office furniture equipment belonging to the Sabha and bring such values to the financial statements.

Action had been taken to include values of said 34 office furniture equipment in the financial statements of this year.

(f) Nine capital work schemes totalling Rs. 6 million had been abandoned without being implemented in the year under review and reasons therefor had not been made available to audit.

Meaningful actions should be taken by the Sabha to implement the activities which included in the annual budget at an optimum level.

Action had been taken to implement works by transferring to development reserve of the year 2019.

3.3 Human Resources Management

Vacancies of Cadre

Audit Observation

Out of the approved cadre of the Sabha, Secretary of the Sabha, Preschool Teacher, Librarian and Market Supervisors had not been appointed up to now. As a result, it was observed that public administration activities of the Sabha, education of children, uses of library and supervising of market activities were at poor level and it was revealed in audit that the vacancy of a technical officer was affected proper implementation of development works of the Sabha.

Recommendation

Meaningful actions should be taken to recruit approved cadre such as Secretary of the Sabha, Preschool Teacher, Librarian, Market Supervisors and Technical Officers for the daily activities and work implementations of the Sabha.

Comment of the Accounting Officer

Actions will be taken to fill such vacancies after allocations made for building and furniture equipment in the budget of the year 2020.

3.4 Assets Management

3.4.1 Failure in carrying out Maintenance and Repairing

Audit Observation	Recommendation	Comment of the Accounting Officer
----- Two vehicles were being used by the Sabha had to be repaired. However, they have been parked at store for the last 03 to 08 months without being repaired properly.	----- Actions should be taken by the Sabha to repair the vehicles in due period and change them to usable condition in an efficient manner.	----- The tractor had been repaired in many instances by spending a huge amount. However, it had been kept as non-operational condition as many repairs were occurred. Action will be taken after transferring ownership thereof.

3.4.2 Idle/ Underutilized Assets

Audit Observation	Recommendation	Comment of the Accounting Officer
----- It was observed that ten roofing sheets had been kept at store for over the last 01 year without being utilized and values thereof had not been made available to audit.	----- Actions should be taken to assess the values of the roofing sheets and brought to accounts.	----- At repairing of vegetable market, Mallavi, ten roofing sheets had been removed and kept at office now. They will be used for another work which will be carried out by the Sabha. Further, action had been taken to include the value thereof.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Recommendation	Comment of the Accounting Officer
----- Budget of the Sabha for the year under review had not been planned and prepared through the proper mechanism, thus, adverse and favourable variances ranging from 10 per	----- Meaningful actions should be taken by the Sabha to plan, evaluate and implement the items included in the annual budget through	----- Comments had not been given.

cent to 52 per cent respectively between 06 categories of the budgeted expenditure and actual expenditure and adverse and favourable variances ranging from 14 per cent to 78 per cent respectively between 05 categories of the budgeted revenue and actual revenue were incurred.

the proper mechanism.

4.2 Internal Audit

Audit Observation

An internal audit unit had been established in the year under review in order to carry out the activities of the Sabha efficiently through audit of its activities. However, internal audit programme and reports on the internal examinations of account had not been made available to audit.

Recommendation

Actions should be taken in terms of Financial Regulation 134(2).

Comment of the Accounting Officer

An internal audit unit had been established and internal examinations of account are being carried out properly and reports on examinations had been included in file in respect of internal examination of account. However, it had not been presented you erroneously.