

**Venkalacheddikulam Pradeshiya Sabha
Vavuniya District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented to Audit on 29 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 of the Sabha on 30 June 2019 and 31 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 Venkalacheddikulam 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) Presentation of Financial Statements

Audit Observation	Recommendation	Comment of the Accounting Officer
-----	-----	-----
As per Sub section 16(2) of the National Audit Act No. 19 of 2018, an annual performance report had not been presented along with the financial statements.	It should be adhered to the National Audit Act.	Action will be taken to submit an annual performance report.

(b) Accounting Policies

Audit Observation	Recommendation	Comment of the Accounting Officer
-----	-----	-----
Accounting policies adopted in preparing the financial statements had not been disclosed by the Sabha in the financial statements.	Accounting policies should be should be disclosed in the financial statements.	Action will be taken to include them in the financial statements in future periods.

(c) **Accounting Deficiency**

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
Provisions for depreciation had not been made for assets valued at Rs. 111,213,002 up to now.	Provisions for depreciation should be made for assets.	Action will be taken to assess the values and record the entries in respect of depreciation in future periods.

(d) **Lack of Written Evidences for Audit**

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
Documentary evidence of land deeds had not been submitted to audit in respect of land and buildings valued at Rs. 57,033,764 shown in the financial statements.	Certifying evidences should be submitted to audit.	Continuous actions are being taken to obtain land deeds for land and buildings.

1.4 Non-compliances

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

Instances of non-compliance with laws, rules, regulations and management decisions are given below.

Reference to Laws, Rules, Regulations and Management Decisions -----	Value -----	Non-compliances -----	Recommendations -----	Comments of the Accounting Officer -----
	Rs.			
(a) Section 93 of Pradeshiya Sabhas Act No. 15 of the year 1987		Activities of waste management had not been carried out by the Sabha by provisions of laws.	Waste management should be included in the annual plan.	Garbage could not be collected in a large amount due to lack of vehicle facilities and staff.
(b) Sections XI and XII of Interim Provisions of Law enacted under the Local Authorities Ordinance No. 6 of 1952		An annual plan had not been prepared in respect of solid waste management.	Waste management should be included in the annual plan.	Action had been taken to prepare now.

(c)	National Environmental Act No. 47 of 1980		Actions had not been taken in respect of solid waste management.	Should act in terms of instructions of Act.	Action will be taken in this regard in future periods.
(d)	Pradeshiya Sabhas (Financial and Administrative) Rule of the year 1988				
(i)	Rule No. 178(3)		A schedule in respect of institutions for supplying goods had not been prepared.	Should act in terms of Pradeshiya Sabhas Rule.	Action had been taken to prepare a schedule in respect of institutions for supplying goods.
(ii)	Rule No. 218		All lands and buildings had not been examined by the Chairman at least once in every year.	Should act in terms of Pradeshiya Sabhas Rule.	They are being inspected by the Chairman now.
(iii)	Rule No. 33		A survey in respect of assessment tax had not been carried out.	Should act in terms of Pradeshiya Sabhas Rule.	Recovery activities of assessment tax on property will be implemented.
(iv)	Section 32 of Part III		A register of assessment tax on property had not been maintained for the year under review.	Should act in terms of Pradeshiya Sabhas Rule.	Actions had been taken to recover assessment tax.
(e)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka				
(i)	Financial Regulation 110		Registers in respect of losses had not been maintained.	Action should be taken in terms of financial regulations.	Action had been taken to maintain a register in respect of losses.
(ii)	Financial Regulation 571	96,696	Action had not been taken in respect of lapsed deposits.	Action should be taken in terms of financial regulations.	Actions are being taken.
(iii)	Financial Regulation 891		Register of security money had not been maintained.	Action should be taken in terms of financial regulations.	Register of security money had been maintained now.
(f)	Provincial Financial Rule 163.3	12,999	Actions had not been taken to recover arrears of advance.	Action should be taken in terms of financial rule.	Action is being taken to rectify it.

(g) Paragraph 03 of Public Administration Circular No. 30/2016 of 29 December 2016	Fuel consumption should be tested once in every year by filling fuel in tank fully and running the vehicle. However, actions had not been taken accordingly.	Should act in terms of instructions of the circular.	Fuel consumption had been tested for vehicles which are in running condition.
--	--	--	---

1.4.2 Noncompliance with Tax Requirements

Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
At transactions in respect of Value Added Tax (VAT) of the Sabha, Value Added Tax amount on goods or construction works should be paid to the registered contractors/ suppliers as per Section 5.4.12 of Procurement Guideline of 2006. Details of such payments should be forwarded to the Commissioner General of Inland Revenue with a copy of Auditor General on or before 15 th day of the following month. It had not been informed to audit in respect of payments of Value Added Tax amounting to Rs. 783,364 even though two activities of work had been carried out.	Should act as per instructions of Value Added Tax and Procurement Guideline.	- Actions in respect of payments of Value Added Tax had not been informed to audit in preceding year. Said procedure had been followed from January.

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. 8,723,209 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 12,955,022.

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	-	-	-	-	-	-	-	-
(ii) Rentals	5,083,000	8,193,746	5,428,263	2,765,483	4,270,000	6,248,305	5,174,410	1,073,895
(iii) License Fees	940,000	793,166	793,166	-	725,000	3,390,165	3,390,125	-
(iv) Other Revenue	9,237,000	11,709,798	5,902,629	5,807,169	8,265,000	14,530,648	9,645,776	4,884,872
Total	15,260,000	20,696,710	12,124,058	8,572,652	13,260,000	24,169,118	18,210,351	5,958,767

2.2.2 Performance in Collection of Revenue

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) Action had not been taken by the Sabha to recover a sum of Rs. 9,999,346 receivable from revenue debtors even as at 31 December 2018.	Action should be taken by the Sabha to recover amount receivable from revenue debtors.	Action is being taken to recover arrears of revenue.
(b) No meaningful action had been taken by the Sabha to recover arrears of revenue of Rs. 8,572,652 as at 31 December 2018.	Meaningful actions should be taken by the Sabha to recover arrears of revenue.	Action is being taken by the Sabha to recover arrears of lease.

2.2.3 Rentals

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) Arrears rental of vehicle under the purview of the Sabha totalling Rs. 1,109,057 had not been recovered for the last years 2016 to 2018.	Actions should be taken by the Sabha to recover arrears rental of all stalls.	Legal action is being taken.
(b) Arrears lease totalling Rs. 370,673 under the purview of the Sabha had not been recovered.	Actions should be taken by the Sabha to recover arrears of stall rental.	Legal action is being taken.

2.2.4 Court Fines and Stamp Fees

(a) Court Fines

Audit Observation	Recommendation	Comment of the Accounting Officer
Court fines totalling Rs. 4,326,452 had to be received from the Chief Secretary of the Provincial Council and all authorities as at 31 December 2018.	Action should be taken to recover court fines.	Court fines had not been received up to by us even though we requested them in relevant year.

(b) Stamp Fees

Audit Observation	Recommendation	Comment of the Accounting Officer
Stamp fees totalling Rs. 500,000 had to be received from the Chief Secretary of the Provincial Council and all authorities as at 31 December 2018.	Action should be taken to recover stamp fees.	Stamp fees had not been received by us up to now even though we requested them in relevant year.

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) By-Laws

Audit Observation	Recommendation	Comment of the Accounting Officer
By-laws were required to be enacted for main functions in terms of section 126 of the Pradeshiya Sabhas Act. But by-laws had not been enacted even by 31 December 2018.	By-laws should be enacted in respect of main functions in terms of section 126 of the Pradeshiya Sabhas Act.	Action had been taken to publish in the Gazette.

(b) Action Plan

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
An annual action plan had not been prepared in respect of activities to be implemented by the Sabha.	An annual action plan should be prepared by the Sabha.	An annual action plan had not been prepared in 2018. Action had been taken to prepare in 2019.

(c) Solid Waste Management

Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
(i) Environmental license had not been obtained for the places of disposing garbage.	A solid waste management should be established properly and actions should be taken to regularize wastes separately and subject to reuse and recycle them and produce a natural fertilizer by implementing without being affected environment.	Action had been taken to obtain license for respective places.
(ii) Garbage had not been categorized separately and collected.		It will be implemented while obtaining sources of fund and vehicle facilities.
(iii) A work plan for categorizing garbage being brought to the dumping place of garbage of the Sabha had not been implemented.		It will be implemented while obtaining sources of fund and vehicle facilities.
(iv) No action had been taken to take garbage by categorizing and collecting them separately in bags from stalls and residents under the purview area of the Sabha.		Relevant action will be taken.
(v) Training in respect of solid waste management had not been provided to officers. Action had not been taken in this regard.		Training is being provided to the officers.

(d) Sustainable Development Goals

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
No actions had been in respect of preparedness of the Sabha to achieve sustainable development targets in terms of the Circular No. A.S.General/2018/61 of 23 April 2018.	Action should be taken as per instructions of the circular.	At present, actions are being taken in respect of preparedness of the Sabha to achieve sustainable development goals.

3.2 Management Inefficiencies

Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
(a) A sum of Rs. 903,779 had been paid as a court expense as a relevant contractor had not been selected by the Sabha.	Action should be taken to select a relevant contractor.	It is informed that the contractor in respect of particular road works had been selected as per relevant procurement procedure.
(b) No meaningful actions had been taken to pay a sum of Rs. 174,673 payable to the creditors even as at 31 December 2018.	Action should be taken to settle said amount to creditors.	Retention money had been transferred to the creditors account. This account will be rectified in the year 2019.
(c) A sum of Rs. 22,480 had been paid as a fine while obtaining revenue license for a vehicle No. NP ZD 2168 of the Sabha in the year under review.	Action should be taken to obtain vehicle revenue license in due period.	Revenue license had been obtained by paying arrears of vehicle revenue license. As such, a sum of Rs. 22,480 had to be paid as a fine for the period from 2007 to 2018.

3.3 Human Resources Management

Audit Observation	Recommendation	Comment of the Accounting Officer
-----	-----	-----
(a) Vacancies of Cadre		

Ten staff vacancies of the Sabha had not been filled as at 31 December 2018.	Staff vacancies should be filled.	A request had been forwarded to the Deputy Chief Secretary, Administration.
(b) Employee Security Deposits		

No meaningful actions had been taken in respect of security deposits of Rs. 37,000 obtained from 02 officers who transferred out from the Sabha.	Action should be taken to settle security deposits.	Action is being taken.

3.4 Assets Management

3.4.1 Failure in carrying out Maintenance and Repairing

Audit Observation	Recommendation	Comment of the Accounting Officer
-----	-----	-----
No action had been taken either to use 06 vehicles which were not used by the Sabha by following a proper procedure or to sell them up to now.	Relevant actions should be taken to repair as a usable manner or destroy it.	Action had been taken to destroy by transferring ownership of the vehicle.

3.4.2 Assets not acquired

Audit Observations	Recommendations	Comments of the Accounting Officer
-----	-----	-----
(a) Disclosures had not been made in respect of lands belonging to the Sabha. Ownership of such assets belonging to the Sabha had not been certified by verifying lands regularly as well.	Action should be taken to transfer ownership to the Sabha.	Continuous actions are being taken to obtain land deeds for the land and buildings.

(b) Ownership of ten vehicles donated to the Sabha had not been transferred to the Sabha.	Action should be taken to transfer ownership to the Sabha.	Action is being taken in respect of 12 vehicles not belonging to the Sabha
---	--	--

3.4.3 Idle Assets

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
Shopping complex buildings of the Sabha had remained idle and meaningful actions had not been taken to use them.	Action should be taken to use them.	Tender had been called by the Sabha for market shopping complex, Kurukkal Puthukkulam and shopping complex, Kaneshapuram of the Sabha in the year 2018. However, they were remained idle as no one had taken them.

3.4.4 Annual Board of Survey

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
Report on annual board of survey for the year under review had been submitted in terms of Financial Regulation 756. However, actions to be taken in terms of Financial Regulation 757 had not been taken.	Action should be taken in terms of Financial Regulations.	Report on annual board of survey had been submitted and goods had been destroyed. However, write off order for them had not been obtained. Action had been taken for it.

3.5 Procurement

3.5.1 Procurement Plan

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
Procurement activities for a sum of Rs. 964,484 had been made in the year under review. However, a procurement plan had not been prepared.	Action should be taken to prepare a procurement plan.	A procurement plan had not been had not been prepared for the year 2018. Action had been taken to prepare a procurement plan in future periods.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Recommendation	Comment of the Accounting Officer
-----	-----	-----
Budget estimate had not been prepared properly and estimate had not been planned and programmed in a proper manner, thus variances ranging from Rs. 5,310 to Rs. 7,311,169 between the budgeted revenue and actual revenue were incurred.	Budget should be made use of as an efficient control instrument.	Expense of Rs. 7,311,169 for unfilled staffs was such variance amount and expenses are made on the basis of revenue percentage of the Sabha, thus expenses had been limited and made due to failure to receive expected revenue in due periods.