

**Addalaichenai Pradeshiya Sabha
Ampara District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to Audit on 12 May 2020 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 Pradeshiya Sabha on 22 July 2020.

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 Addalaichenai Pradeshiya Sabha as at 31 December 2019 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

	Accounting Deficiencies	Recommendations	Comments of the Accounting Officer
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(i)	The value of 107 library books which was received as donation in the years 2017 and 2018 had not been brought to accounts.	It should be rectified in the accounts.	The value of the books which was received as donation will be assessed and shown as assets when preparing final accounting reports for the year 2020.
(ii)	The value of 780 library books destroyed in the preceding year and in the year under review as per the recommendations of the annual board of survey for the period from 2015 to 2018, and the value of 11 categories of 24 goods destroyed in the year under review as per the recommendations of the annual board of survey for the year 2018 had not been rectified in the accounts.	It should be rectified in the accounts.	In this regard, the values of books and goods destroyed in the preceding year and in the year under review as per recommendations of the annual board of survey will be rectified in the final accounting reports for the year 2020.

(b) **Accounts Receivable and Payable**

Audit Observation	Recommendation	Comment of the Accounting Officer
Charge of Rs. 316,421 payable to the Ceylon Electricity Board in respect of electricity usage of street lamp and receivables of Rs. 350,321 to be recovered from the Ceylon Electricity Board are being shown in the financial statements for over the period of 24 years continuously without being taken action to pay and recover them.	Action should be taken to settle said balance.	Action will be taken to settle said arrears payable to the Sabha by the Ceylon Electricity Board by taking final decision for this issue by decisions of the Sabha.

(c) **Unreconciled Accounts**

Audit Observation	Recommendation	Comment of the Accounting Officer
(i). According to the P.S.-07 report, other revenue for the year 2019 had been Rs.10,523,528, However, according to the revenue and expenditure account, it had been as Rs. 373,457. Accordingly, there was a difference of Rs. 10,150,071.	Action should be taken to reconcile said differences.	Not commented
(ii). A difference of Rs. 742,802 was incurred between amount shown in the arrears of solid waste service charge accounts and register.	Balances as per account and register should be reconciled.	According to the registers maintained by the Sabha, balance amount of solid waste charge had also been in the final accounting reports.

(d) **Lack of Documentary Evidences**

Audit Observation	Recommendation	Comment of the Accounting Officer
Due to non-submission of evidences such as deed of land, fixed asset register, ownership books, balance confirmation register and reports on board of survey in respect of 06 account items valued at Rs. 2,377,155 according to financial statement presented, it could not be satisfactorily vouched/ verified in audit.	Evidences should be submitted for confirming account balances shown in the financial statements.	Action will be taken to submit in ensuing periods.

1.4 Non-compliances

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

Reference to Laws, Rules, etc.	Non-compliance	Recommendations	Comment of the Accounting Officer
(a) Pradeshiya Sabhas (Financial and Administrative) Rules of 1988.			
(i) Rule 15	Applications for claiming refund of stamp duty in respect of land transaction are forwarded in the end of every year without being taken action to forward the application to the Registrar General in the end of every quarter.	Action should be taken in terms of relevant rule.	Action will be taken to receive and refund from the Registrar General of Lands once in the quarter.
(ii) Rule 217	All lands and buildings belonging to the Sabha had not been entered in a register as per P.S. – 46 form.	Action should be taken to enter all lands and buildings belonging to the Sabha.	Action will be taken to enter all lands and buildings belonging to the Sabha.
(b) National Environmental Act No. 47 of 1980 amended by Act No. 53 of 2000 and Act No. 56 of 1988 and Extra Ordinary Gazette Notification No. 1523/16 of 25 January 2008 issued as per Regulations implemented under them	Action had not been taken to issue new license to 16 enterprises which environmental license had been expired. Further, verification had not been carried out to identify new enterprises for environmental license under the purview of the Sabha.	Action should be taken to issue said licenses and verification should be carried out to identify new enterprises.	Some enterprises had been abandoned. Action had been taken to renew the environmental license of other enterprises which are functioned continuously through inspecting by the Public Health Officer Further, Environmental license had not been issued to some

enterprises due to repair works should be carried out to them.

(c)	Financial Regulation 571 of the Democratic Socialist Republic of Sri Lanka	Action had not been taken in respect of 63 lapsed deposits totalling Rs. 1,537,614 for over two years.	Action should be taken in terms of Financial Regulations.	Notifications in respect of refund of these lapsed deposits had been issued to relevant persons. public notification had also been issued. Action had been taken to transfer relevant deposits to revenue of the Sabha in the instance of failure to receive the payments.
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1.4.2 Non-compliance with Tax requirements

----- Audit Observation -----	----- Recommendation -----	----- Comment of the Accounting Officer -----
Trade and sale tax of Rs. 7,390 recovered in the year 1993 and value added tax of Rs. 14,270 recovered prior to the year 2000 had not been remitted to the Department of Inland Revenue.	Action should be taken to rectify in respect of relevant tax recoveries.	Trade and sale tax remains continuously and action could not be taken in respect of these taxes due to deficiencies in the documents thereof. It will be considered to take action in preparing the financial statement for the year 2020.

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 2019 amounted to Rs. 13,566,223 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 10,070,458.

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	2019				2018			
	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.
Rates and Taxes	803,000	361,741	361,741	--	733,000	271,375	271,375	--
Rentals	2,600,000	2,368,950	2,368,950	273,000	1,950,000	1,902,253	1,902,254	273,000
License Fees	1,405,000	1,094,610	1,094,610	--	2,105,000	748,000	748,000	--
Other Revenue	28,455,000	23,234,963	26,948,812	14,501,340	26,562,000	27,008,322	16,530,970	18,217,591
	33,263,000	27,060,264	30,774,113	14,774,340	31,350,000	29,929,950	19,452,599	18,490,591

2.2.2 Trade License Fees

Audit Observation

Action had not been taken to recover trade license fees from 529 trade centers in the year under review.

Recommendation

Action should be taken to recover trade license fees from trade centers in due period.

Comment of the Accounting Officer

In this regard, many challenges had been faced in respect of revenue recovery in the financial year due to 02 posts of Revenue Inspector which were approved in the year 2019 had remained as vacant. As such all revenue could not be recovered by us. However, action had been taken to recover them with arrears now.

2.2.3 Court Fines and Stamp Fees

Audit Observation

Court fines amounting to Rs. 6,888,254 had to be received from the Chief Secretary of the Provincial Council and all authorities as at 31 December 2019.

Recommendation

Action should be taken to recover in due periods.

Comment of the Accounting Officer

In this regard, action had been taken in respect of stamp duty receivable and out of arrears, a sum of Rs. 563,112.00 had been recovered. Action had been taken in respect of arrears balance.

2.2.4 Rent

Audit Observation	Recommendation	Comment of the Accounting Officer
Arrears of lease amounting to Rs. 380,800 as at 31 December 2019 had not been recovered in the year under review.	It should be rectified in due period.	Legal action could not be taken due to relevant persons were not in the country.

2.2.5 Other Revenue

Audit Observation	Recommendation	Comment of the Accounting Officer
Solid waste earth filling charge of Rs. 1,712,948 to be recovered from Karaitivu Pradeshiya Sabha had not been recovered for 03 years.	Relevant action should be taken in respect of arrears recovery.	It had been accepted to pay arrears in the meeting held and chaired by Commissioner of Local Government including Secretary to the Ministry in the last year and a sum of Rs. 500,000 had been paid as a part of said arrears in this year. they have accepted to pay balance as part by part.

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 should be prepared and implemented in respect of 13 important matters for revenue and arrangement of the Pradeshiya Sabha in terms of Section 126 of the Pradeshiya Sabhas Act No. 15 of 1987. However, proposals had been prepared in respect of 05 by-laws in the year 2012. But, actions had not been taken to implement them by obtaining approval therefor.	By-laws should be prepared and implemented.	Seven by-laws had been forwarded to the Provincial Council for the approval in due periods. Five by-laws had been checked and prepared as a document and forwarded to the Provincial Council with the decision No. 2019/219 of 23.05.2019 of the Sabha. It will be implemented once approval is obtained and published in the Gazette.

(b) Action Plan

Audit Observation	Recommendation	Comment of the Accounting Officer
An annual action plan had not been prepared.	An annual action plan should be prepared.	In this regard, an annual action plan will be prepared once approval of the Eastern Provincial Council is obtained for by-laws.

(c) Sustainable Development Targets

Audit Observations	Recommendations	Comments of the Accounting Officer
(i) Action had not been taken to establish indicators required for measuring sustainable development targets.	Action should be taken to establish the indicators.	Not commented.
(ii) Provision required to access sustainable development goals had not been identified by the Sabha.	The provision should be identified by the Sabha and allocations should be made.	A provision of Rs. 6,000,000 had been made to upgrade the living standard of the people for reduction of poverty when preparing budget for the financial year 2020 in order to access sustainable development goals

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) There were 33 lands belonging to the Sabha which is located office buildings, public libraries, public markets, public playgrounds, public wells, solid waste center and slaughterhouse. However, action had not been taken to transfer ownership of 26 lands out of that to the name of the Sabha up to now.	Action should be taken to obtain ownership of lands.	In this regard, action is being taken to obtain ownership of the lands which is not obtained ownership by identifying by the Sabha.
(b) Action had not been taken to transfer ownership of 07 vehicles which were obtained from Ministry of Provincial Councils and Local Government and other organizations and being used by the Sabha, to the name of the Sabha.	Action should be taken to transfer the ownership of the vehicles to the name of the Sabha.	Actions is being taken to transfer the ownership of the vehicles which ownership had not been transferred to the name of the Sabha.

3.3 Human Resources Management

Audit Observations	Recommendations	Comments of the Accounting Officer
<p>(a) Seven staff vacancies had not been filled for 06 posts. Further, the post of Secretary remained as vacant since 2017. The post of JCB machine operator had remained as vacant for the last four years.</p>	<p>Continuous action should be taken to fill the vacancies as per requirements thereof.</p>	<p>In this regard, copy of monthly reports relating to carder is forwarded to the Eastern Provincial Council monthly. Actions in this regard will be taken by the Eastern Provincial Council.</p>
<p>(b) Action had not been taken up to the end of the year under review to recover loan outstanding of Rs. 182,441 due from 08 officers for the period from the year 2015 to the year under review.</p>	<p>Actions should be taken in due period.</p>	<p>Action had been taken to recover from the departments where the officer who works at present. Action is being taken to recover from others through sureties and death gratuity.</p>

3.4 Assets Management

3.4.1 Failure to carry out Maintenance and Repairs

Audit Observation	Recommendation	Comment of the Accounting Officer
<p>One tractor, 01 water bowsers, 02 motorcycles and single drum vibrator etc. belonging to the Sabha had remained without repairing.</p>	<p>Action should be taken to repair and use.</p>	<p>Continuous action will be taken by obtaining report on repair from the Chief Secretary, Eastern Province.</p>

3.4.2 Idle Assets

Audit Observation	Recommendation	Comment of the Accounting Officer
<p>Animal bones grinding mill constructed at Pallakkaadu Village and machineries purchased for its usage by using the fund of Rs. 1,400,000 issued under Provincial Specified Development Grant in the year 2014 had remained idle without being used.</p>	<p>Action should be taken to use.</p>	<p>The electricity facility of III phase line is required for operating bones grinding machine which was purchased for grinding animal bones, thus it could not be operated due to delay in obtaining that facility. However, action will be taken to operate it very soon as III phase line was obtained at present.</p>

3.5 Procurement

3.5.1 Procurement Plan

Audit Observation	Recommendation	Comment of the Accounting Officer
According to Section 4.2.1 of national Procurement Guideline and Circular No. 128 of 24 March 2006 of the Department of National Budget, a procurement plan had not been prepared for the year under review.	The procurement plan should be prepared properly.	The procurement plan will be prepared properly in ensuing financial year.

3.5.2 Contract Administration

Audit Observation	Recommendation	Comment of the Accounting Officer
According to 2.8.1(a) of Procurement Manual, a Technical Evaluation Committee should be appointed. However, procurement activities valued at Rs. 2,536,557 had been carried out for the period from September to December without report of the Technical Evaluation Committee.	Procurement Manual should be followed.	When relevant officers were transferred out, replacement had not been made for them. However, Technical Evaluation Committee had been appointed for the financial year 2020 properly at present.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Recommendation	Comment of the Accounting Officer
Internal audit activities had not been carried out in the Sabha during the year under review.	Internal audit should be carried out.	Challenges are faced in establishing the Internal Audit Unit in our office due to staff shortage. However, action had been taken to establish the Internal Audit Unit at present.

4.2 Unresolved Audit Observations

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) Action in terms of financial regulation 104 had not been taken in respect of electrical inventory items valued at Rs.96,392 lost in the year 2005 and 02 solar power lamps and fittings which were purchased at Rs. 170,000 in the year 2014 and fixed on Palamune – Oluvil main road, stolen on 20 December 2015.	Action should be taken in terms of Financial Regulation 104.	Electrical inventory items valued at Rs. 96,392 in the store register for the year 2005 are shown continuously. However, there was no any documents therefor. Further, a compliant had been filed at police in respect theft of 02 solar power lamps which were purchased and fixed in the year 2014.
(b) Lease of meat stall amounting to Rs. 273,300 as at 31 December 2017 had remained as arrears for six years without being recovered.	Action should be taken to recover arrears.	It was informed to the owner of the meat stall. Legal action could not be taken against relevant persons due to they were not in the country.