

Irakkamam 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 03 March 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 Irakkamam 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

Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
(i) The value of the office building constructed at a cost of Rs. 10 million had not been brought to accounts.	The value of the building belonging to the Sabha should be brought to accounts as a fixed asset.	Action is being taken to include in the final accounting reports by obtaining documents in this regard from relevant Ministry
(ii) A charge to be recovered for 03 advertisement boards for the year 2019 amounting to Rs. 127,500 had not been brought to accounts.	Disclose the charges to be recovered as revenue of the year under review.	I kindly inform that continuous efforts are being taken to recover this charge.

(b) **Lack of written evidences required for Audit**

Audit Observation	Recommendation	Comment of the Accounting Officer
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Three account items valued at Rs. 5,823,890 could not be verified satisfactorily in the audit due to non-submission of relevant evidences such as deed of land, fixed asset register and documents for confirming balances.	Evidences should be submitted for confirming account balances shown in the financial statements.	Land and building and furniture are entered in the fixed assets register and action had been taken by us to collect detailed documentary evidences from Sammanthurai Pradeshiya Sabha.

1.4 Non-compliances

Non-compliances with Laws, Rules and Regulations

Reference to Laws and Rules	Non-compliance	Recommendations	Comment of the Accounting Officer
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Financial Regulation 571 of the Democratic Socialist Republic of Sri Lanka	Action had not been taken in respect of 02 lapsed deposits totalling Rs.70,720 for over two years.	Action should be taken in terms of Financial Regulation.	Prompt action will be taken to pay deposits to relevant persons and to transfer to revenue account.

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. 857,490 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 341,092.

2.2 Revenue Management

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	60,000	16,970	16,970	--	100,000	18,250	18,250	--
Rentals	1,565,000	505,810	510,610	1,029,223	1,980,000	920,650	1,018,450	1,034,023
License Fees	805,000	906,450	906,450	--	705,000	817,410	817,410	--
Other Revenue	7,076,000	6,011,226	6,011,226	--	6,021,000	3,930,944	3,930,944	--
	9,506,000	7,440,456	7,445,256	1,029,223	8,806,000	5,687,254	5,785,054	1,034,023

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

Proposals in respect of by-laws under 05 headings had been forwarded by the Pradeshiya Sabha for the approval of the Minister who is responsible for relevant subject in the year 2014. However, it had not been implemented by obtaining approval therefor up to 31 December 2019.

Recommendation

By-laws should be prepared and implemented.

Comment of the Accounting Officer

Our activities are being implemented by standard by-laws. Further, even though by-laws had been prepared under 05 headings in the year 2014 and forwarded to legal section of Eastern Province for enacting laws, they had not been published. However, by-laws had been prepared again and forwarded for the approval in the year 2019.

(b) Action Plan

Audit Observation

An annual action plan had not been prepared.

Recommendation

An annual action plan should be prepared.

Comment of the Accounting Officer

Not replied.

(c) **Solid Waste Management**

Audit Observation	Recommendation	Comment of the Accounting Officer
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An organic fertilizer producing machine by using solid waste had been issued by the fund of Rs. 01 million of Provincial Specific Development Grant (PSDG) in the year 2016. However, it had remained idle without utilizing for 03 years due to non-availability of electricity facility.	Action should be taken to use said machine which is grinding waste.	Three phase line electricity is required to operate the machine and action had been taken to obtain three phase line by communicating Electricity Board in this regard.

(d) **Environmental Issue**

Audit Observation	Recommendation	Comment of the Accounting Officer
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A slaughterhouse constructed at a cost of Rs. 1,338,328 under Provincial Specific Development Grant in the year 2015 without considering cemetery which is located nearby had remained idle up to now without utilizing due to protest of general public.	Actions should be taken to use the building for intended purpose or other requirements.	A slaughterhouse had been constructed by taking board decision by the Sabha due to non-availability of other places. However, a buddhist cemetery is located nearby it, thus there were various protests to cut animals in that place. As such, it was planned to use this center for recycling solid wastes.

(e) **Sustainable Development Target**

Audit Observation	Recommendation	Comment of the Accounting Officer
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Every Public Institution should act in compliance with the 2030 Agenda on Sustainable Development adopted by the United Nations according to Sri Lanka Sustainable Development Act No. 19 of 2017. However, actions had not been taken to identify and achieve the goals in this regard.	Take actions to identify and achieve sustainable development goals and to establish the indicators required for measuring them.	Every development projects and proposals are being forwarded through paying attention by our Pradeshiya Sabha in respect of 17 sustainable development goals to be achieved for the period from 2015 to 2030. Further, budget is being prepared with the participation of general public as a part thereof. Cleaning the schools weekly, assisting to waste disposal activities required for hospitals, providing better infrastructure facilities, etc. are based on this.

3.2 Management Inefficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
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(a) Trade license fees receivable from 14 category of trade centers amounting to Rs. 67,600 had not been recovered for the year 2019.	Action should be taken to recover relevant fees from trade centers in said financial year.	An employee had been appointed for the vacant post of Revenue Inspector temporarily. However, those trade centers had remained in a closed position when the employee inspected them, thus it had not been recovered.
(b) Action had not been taken to transfer the ownership of the places which are located office building, public library, public market, public playground and slaughterhouse.	Actions should be taken to obtain lands belonging to the Sabha in terms of Crown Land Ordinance.	Actions had been taken to obtain title deeds of the land and buildings.
(c) Two persons had been quoted with tender deposit for Rs. 253,000 and Rs. 250,000 for leasing out of open market for the year 2019 at 02 nd time calling of tender. It was decided to award at Rs. 253,000. However, said person had refused to pay money. But, his tender deposit of Rs. 10,000 had been refunded by the Sabha. Further, contract had been entered at Rs. 162,500 by 03 rd time calling of tender without awarding next bid of Rs. 250,000, thus revenue loss of Rs. 87,500 had been incurred to the Sabha.	Take tender deposit whose breach tender conditions, as revenue of the Sabha and award contract as per calling of tender.	His money had been refunded by considering his family background. Third time calling of tender had also been held. No one had been quoted in this instance within the due period. However, when persons who has quoted already had requested tender application, chairman had called and discussed with both persons and obtain promise from them that the mistake incurred second time will not be incurred again, subsequently, he directed to issue new forms by recovering application fees of Rs. 2,500, thus forms had been issued and one person had only quoted, thus lease contract of open market had been awarded to the same person.

3.3 Human Resources Management

Audit Observation	Recommendation	Comment of the Accounting Officer
Staff vacancies had not been filled for 05 posts up to the end of the year under review. Further, recruitment had not been made for the post of Revenue Inspector of the Sabha which remained as vacant since the year 2014.	The Sabha should take proper administrative actions to fill the vacancies.	Many request letters had been forwarded in respect of vacant post of Revenue Inspector and its needs to Head of the Department and Secretary to the Ministry. However, this vacant had not been filled up to now and Secretary to the Ministry informed us that this vacant will be filled in the year 2020.

3.4 Assets Management

3.4.1 Failure to recording Assets

Audit Observation	Recommendation	Comment of the Accounting Officer
Total value of land and buildings belonging to the Sabha had been shown as Rs. 52,577,947 in the accounts as at the end of the year under review. However, it had not been entered in the fixed assets register.	Fixed assets register should be updated properly and disclosed in the accounts.	When our Sabha had been as Sub Office of Sammanthurai Pradeshiya Sabha and divided as a separate Pradeshiya Sabha, assets and liabilities had been handed over and land and building had been shown in the final accounting reports. However, any documentary evidences had not been submitted in this regard.

3.4.2 Failure to confirm the Security of the Assets

Audit Observation	Recommendation	Comment of the Accounting Officer
12 vehicles belonging to the Sabha were remained in unsafe conditions in the premises of public market.	Action should be taken to provide proper vehicle parking facilities for protecting the vehicles of the Sabha	After various efforts, proposal for construction of this vehicle park close to children park under PSDG project for the year 2020 had been forwarded and this issue will be finished in ensuing periods.

3.4.3 Idle Assets

	Audit Observations	Recommendations	Comments of the Accounting Officer
(a)	Upper floor of public market building constructed under UNDP project at a cost of Rs. 4.975 million in the year 2017 had remained idle without being utilized up to 28 May 2020.	Take action to use public market building.	Proposals had been submitted for changing it in order to rent out by make some changes in the PSDG project of 2020
(b)	Shopping complex constructed under development fund scheme of the Ministry of Local Government and Provincial Council at a cost of Rs. 4.690 million in the year 2018 had remained idle up to 28 May 2020 without being utilized for intended purposes.	Take action to use shopping complex.	We have accessed to many banks in order to rent out this shopping complex and Peoples Bank has informed their interest to shift their branch. Further, it had not been rented out due to others quoted this shopping complex for lower price.

3.5 Procurements and Contract Administration

Purchase of LED bulbs

Audit Observation	Recommendation	Comment of the Accounting Officer
Quotations had been called for 150W LED bulbs by the Irakkamam Pradeshiya Sabha and purchased through two stages. 42 bulbs had been purchased each per Rs. 16,500 and 06 bulbs had been obtained as quantity discount and spent a sum of Rs. 693,000 totally. However, same bulbs had been purchased by Karaitivu Pradeshiya Sabha each per Rs. 9,600. Accordingly, Irakkamam Pradeshiya Sabha had been spent Rs. 190,800 for purchasing these bulbs uneconomically.	Confirm the purchase of goods at a reasonable price by considering said price differences.	150W LED type of bulbs are at many prices in the markets. Therefore, bulbs which are considered as high quality had been purchased as per request of Hon. members including Hon. chairman. Further, these LED type bulbs had been purchased with 02 years warranty by obtaining quotations for LED bulb set including iron pipe with handle connected with this LED light and wire required for fixing.