

Karaitivu 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 11 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 Karaitivu 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 lands which is located office and library of the Sabha had not been assessed and brought to accounts.	The value of the lands should be assessed and shown in the accounts.	The value of the lands will be assessed and shown in the accounting reports for ensuing financial year.
(ii) A cost of the motor lorry which had met with an accident and damaged totally in the year 2012 amounting to Rs. 5,400,000 had not been written off in the accounts.	Cost of the vehicle should be written off.	Action will be taken to write off in the accounts for ensuing financial year.
(iii) Nine vehicles belonging to the Sabha had been sold by the Eastern Provincial Council at Rs.1,877,000 in the month of December 2018. However, cost of these vehicles had not been written off in the accounts.	It should be rectified and shown in the financial statements in due periods.	Action will be taken to bring to the accounts.

(b) Lack of Documentary Evidences

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
Evidences such as deed of land, fixed asset register, vehicle ownership books and reports on board of survey had not been made available to audit in respect of 05 account items valued at Rs. 9,886,142.	Evidences should be submitted for confirming account balances shown in the financial statements.	Land and building and motor vehicles had been issued as donation. There was a delay in preparing report on board of survey due to non-availability of values thereof. Reports in respect of valuation of motor vehicle and plants had been received now.

1.4 Non-compliances

1.4.1 Non-compliances with Laws, Rules and Regulations

Reference to Laws, Rules and Regulations -----	Non-compliances -----	Recommendations -----	Comments of the Accounting Officer -----
(a) Section 217 and 218 of Pradeshiya Sabhas (Financial and Administrative) Rules of 1988.	Register of land and building had not been maintained as per P.S. – 46. Further, inspection in respect of land and building had not been carried out.	It should be followed in terms of rules.	Action will be taken to maintain the register of land and building properly as per P.S. – 46
(b) Financial Regulation 571 of the Democratic Socialist Republic of Sri Lanka	Action had not been taken in respect of 02 deposits totalling Rs. 272,462 for over two years.	Action should be taken in terms of said Regulations.	Action will be taken to transfer such deposits to revenue account of the Sabha in ensuing financial year.

1.4.2 Non-compliance with Tax requirements

Audit Observation	Recommendation	Comment of the Accounting Officer
Nation building tax and withholding tax amounting to Rs.272,462 had been shown in the financial statements for the period of 09 years without being remitted to the Department of Inland Revenue.	Action should be taken to rectify by obtaining relevant documents.	Action will be taken to rectify them in this year.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the expenditure over recurrent revenue of the Sabha for the year ended 31 December 2019 amounted to Rs. 33,201 as compared against the revenue over recurrent expenditure of the preceding year amounted to Rs. 3,563,514.

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	25,000	--	--	--	25,000	2,500	2,500	--
Rentals	5,410,000	4,727,128	4,780,128	599,725	4,325,000	3,978,762	3,978,762	652,725
License Fees	5,308,000	3,063,894	3,337,874	3,751,125	1,458,000	4,045,085	3,757,676	4,025,105
Other Revenue	8,160,000	7,418,480	7,418,480	--	6,717,500	5,394,791	5,394,791	--
	18,903,000	15,209,502	15,536,482	4,350,850	12,525,500	13,421,138	13,133,729	4,677,830

2.2.2 Rent

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) Action had not been taken to recover solid waste disposal charge of Rs.3,725,342 recoverable for four years.	Action should be taken to recover or write off arrears of revenue in due period.	Request letters had been forwarded in respect of said arrears. However, arrears had not been received by us up to now. Action had been taken to write off the arrears as per letter of the Commissioner of Local Government.
(b) Action had not been taken to recover lease of meat stall amounting to Rs.558,725 outstanding since the year 1992 to 2019	Action should be taken to recover or write off arrears of revenue in due period.	Action had been taken to write off said arrears as per letter of the Commissioner of Local Government.

2.2.3 License Fees

Audit Observation	Recommendation	Comment of the Accounting Officer
Trade license fees had not been recovered in the year 2018 from 35 categories of 125 trade centers carried out within the authority area of the Pradeshiya Sabha in the same year in terms of section 149 of Pradeshiya Sabhas Act No. 15 of 1987. As such, the Sabha had lost revenue of Rs. 102,000 approximately.	Action should be taken to recover trade license fees from trade centers.	It is informed that action will be taken to remove registration of said trade centers by following new procedures in respect of centers which was closed in ensuing periods.

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.

By-Laws

Audit Observation

Recommendation

Comment of the Accounting Officer

By-laws should be prepared and implemented in respect of 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 in respect of 05 by-laws had been forwarded by the Pradeshiya Sabha for the approval of the Minister of Local Government, Eastern Province. But, action had not been taken to implement by obtaining approval therefor even as at 31 December 2019.

By-laws should be prepared and implemented.

More attention will be paid to rectify deficiencies incurred in respect of said matters in ensuing periods.

3.2 Management Inefficiencies

Audit Observation

Recommendation

Comment of the Accounting Officer

Ownership of lands which is located office building and cultural hall had not been transferred.

Action should be taken to transfer ownership of lands which is located office building of the Sabha.

Not commented.

3.3 Human Resource Management

Audit Observations

Recommendations

Comments of the Accounting Officer

(a) 06 categories of 08 staff vacancies existed in an approved cadre.

Action should be taken to fill the vacancies.

It is informed that the employees work in a substitute basis for such vacancies and details of vacancies had been reported to the Commissioner of the Local Government and Secretary to the Ministry in order to fill the vacancies.

(b) Action had not been taken to recover employees loan totalling Rs. 40,647 from 07 officers since the year 2006.

Action should be taken to recover or write off the employee loan.

Action had been taken to write off loan balances and it was also decided to recover from employees if possible to recover.

3.4 Operational Inefficiencies

Audit Observation	Recommendation	Comment of the Accounting Officer
----- By-laws had not been prepared in respect of recovering advertisement charges from trade centers which fixed advertisement boards more than one and functioned within the administrative area of the Sabha.	----- Action should be taken to avoid revenue loss by preparing by-laws in respect of receiving revenue in future.	----- These charges are being recovered at our Sabha by following by-laws approved for other Sabhas until provincial approval is obtained for by-laws which was prepared.

3.5 Assets Management

3.5.1 Failure to carry out maintenance and repairs

Audit Observation	Recommendation	Comment of the Accounting Officer
----- Action had not been taken to repair or to sell by auction 03 motorcycles belonging to the Sabha.	----- Relevant action should be taken to dispose or repair and use.	----- They will not be repaired due to usage of such vehicles will be lower than its repairing cost. Further, action had been taken to dispose or sell by action such vehicles through Deputy Chief Secretary – Engineering, Eastern Province

3.5.2 Idle/ Underutilized Assets

Audit Observation	Recommendation	Comment of the Accounting Officer
----- Seventeen stall rooms constructed at a cost of Rs. 14,347,200 under financial aid of North East Coastal Community Development Project (NECCDEP) and handed over in the year 2009 had remained idle for the period of 10 years without any usage.	----- Action should be taken to rent out stall rooms or use for other requirements.	----- Action had been taken to establish a food city in the ground floor of the market as per decision of the Sabha. Such building can be changed as active completely in ensuing period.

3.5.3 Utilization of Vehicles

Audit Observation	Recommendation	Comment of the Accounting Officer
----- Two road rollers and one concrete mixing machine issued to the Sabha had remained idle.	----- Action should be taken to use such machines.	----- They will not be repaired due to usage of such machines will be lower than its repairing cost. Further, action had been taken to dispose or sell by action such vehicles through Deputy Chief Secretary – Engineering, Eastern Province

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 year under review.	----- It should be implemented internal audit procedure.	----- Attention will be paid in this regard.

4.2 Audit and Management Committee

Audit Observation	Recommendation	Comment of the Accounting Officer
----- An audit and management committee had not been established and its meetings had not been held in the year under review.	----- Action should be taken to establish the audit and management committee.	----- Attention will be paid in this regard.