

**Sammanthurai 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 06 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 29 May 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 Sammanthurai 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) Cost of office furniture, equipment and library books which were sold by auction and destroyed in terms of reports on board of survey in the years 2017, 2018 and 2019 had not been written off from the accounts.	Cost of the goods which were sold by auction and destroyed should be written off from the accounts.	Action will be taken to write off the cost of the library books from the accounts and cost of office furniture and equipment will be written off from the fixed assets account once the activity of completing fixed assets register is completed for writing off them
(ii) A land valued at Rs. 200,000 issued as donation to the Sabha had not been brought to the accounts.	The land should be brought to accounts.	Action had been taken to show the value of this land as a fixed asset under lands in ensuing financial year.
(iii) Lavatory of public library which was funded a sum of Rs. 948,717 and constructed had not been brought to accounts.	Lavatory should be brought to accounts.	Payment had not been made for such work in this financial year, thus it had not been shown in the financial statement erroneously. this error will be rectified in ensuing financial year.

- (iv) Even though advertisement board charges of Rs. 60,000 for the year 2019 had been shown as arrears, it had not been shown in the financial statement. Such arrears should be shown in the financial statement. It was a mistake. Officer who is responsible for this subject had been instructed to take action to recover it. It will be rectified in ensuing periods.

(b) Unreconciled Accounts

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
Arrears of assessment tax on property had been as Rs. 14,422,133 as per financial statements as at 01 January 2019. However, it had been as Rs.21,366,064 as per corresponding register, thus a difference of Rs. 6,943,931 was incurred.	Action should be taken to reconcile such balances and rectify the accounts.	Action is being taken to rectify the arrears as per register and activities therefor are being carried out. A notification letter that the closing date for rectifying this issue is 06.07.2020 had been issued to the officer who is responsible for this subject and activities therefor are being taken place.

(c) Lack of written evidences required for Audit

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
Evidences such as deed of land, fixed asset register, reports on board of survey, ownership books, registers of library books and detailed schedule had not been made available to audit in respect of fixed asset items valued at Rs. 29,811,585.	Evidences should be submitted for confirming account balances shown in the financial statements.	Activities will be expedited for deeds of land and this deficiency will be rectified once effective replies are received from relevant institutions. Fixed assets register will be submitted once activities of recording values of fixed assets are completed. Due to disputes in showing detailed schedule of roads, public wells, etc. in the financial statements as fixed assets, they had not been included in the fixed assets schedule. Roads and public wells will be shown in the financial statements in ensuing periods.

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-compliance	Recommendation	Comment of the Accounting Officer
Financial Regulation 571 of the Democratic Socialist Republic of Sri Lanka	Action had not been taken in respect of 84 deposits totalling Rs. 1,184,366 for over two years.	Action should be taken in terms of Financial Regulation.	All non-refunded lapsed deposits up to 31.12.2015 had been transferred to revenue.

1.4.2 Non-compliance with Tax requirements

Audit Observation	Recommendation	Comment of the Accounting Officer
Value added tax of Rs. 260,154 recovered in the year 2017 had been kept in the deposit account without being remitted to Department of Inland Revenue.	It should be remitted in due period.	This amount was stop due to non-submission of evidences that the VAT registration was made at Department of Inland Revenue prior to such date. Relevant action will be taken in this regard.

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. 7,466,546 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 10,943,411.

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	4,349,858	4,371,246	6,158,446	12,634,933	3,907,719	4,329,859	3,313,089	14,422,133
Rentals	31,006,570	26,206,228	26,232,708	8,451,541	20,271,858	20,361,397	20,873,137	8,478,021
License Fees	1,300,000	1,625,550	1,625,550	--	1,300,000	1,408,166	1,408,166	--
Other Revenue	<u>27,600,000</u>	<u>26,898,367</u>	<u>26,898,367</u>	<u>--</u>	<u>20,640,000</u>	<u>22,315,754</u>	<u>22,315,754</u>	<u>--</u>
	<u>64,256,428</u>	<u>59,101,391</u>	<u>60,915,071</u>	<u>21,086,474</u>	<u>46,119,577</u>	<u>48,415,176</u>	<u>47,910,146</u>	<u>22,900,154</u>

2.2.2 Recovery of Rates and Taxes

Audit Observation

In terms of Gazette Notification No. 1808 dated 26 April 2013 of the Democratic Socialist Republic of Sri Lanka, it was declared to assess new properties within 22 Grama Niladhari Divisions under the purview of the Sabha. However, the works relating to assessment of these properties had not been completed even up to the end of the year under review.

Recommendation

Action should be taken to complete such assessment works and recover assessment tax on property.

Comment of the Accounting Officer

As per said Gazette Notification, numbering work of properties had been carried out since the year 2018 and completed this work in the month of August 2019 and it was informed to the main Valuation Department to carry out the assessment works. It was pointed out by the them that relevant activities will be delayed due to shortage of staff existed in the Valuation Department even though Hon. chairman had visited many times directly. Therefore, temporary assessment works are being carried out by appointing a committee with the chaired person of Revenue Inspector who works in the Sabha by considering revenue of the Sabha.

2.2.3 Lease Revenue

Audit Observation

Action had not been taken to recover arrears of lease amounting to Rs. 1,751,340 in respect of meat stalls leased out up to the year 2019.

Recommendation

Continuous action should be taken to recover of arrears of lease.

Comment of the Accounting Officer

Six cases and 16 cases had been proceeded at Kalmunai District Court and Sammanthurai Mediation Board respectively in respect of recovery of arrears for the years 2015, 2016, 2017 and 2018. A sum of Rs. 10,000 is being paid by other owners of beef meat stall monthly.

2.2.4 Rent of Stall Room

Audit Observation	Recommendation	Comment of the Accounting Officer
Arrears rent of stall room from Sammanthurai public market building, Hijrapuraj public market building and old market building amounting to Rs. 1,002,281, Rs. 18,000, Rs. 43,400 and Rs. 67,070 respectively had not been recovered.	Action should be taken to recover arrears of rent.	There were some errors incurred in the computation of schedule amount and some difficulties incurred in computation of correct arrears amount of stall rents for closed stalls. At present, they had been rectified and arrears amounts are being recovered.

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 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, approval had not been obtained in respect of by-laws even as at 31 December 2019 even though proposals in respect of 10 by-laws had been forwarded for approval of Minister of Local Government, Eastern Province	Action should be taken to prepare by-laws in respect of important matters in terms of Act and implement by obtaining approval.	Proposals in respect of by-laws had been submitted to relevant authorities for obtaining approval. However, approval had not been granted up to now. Continuous action is being taken in this regard.

(b) Action Plan

Audit Observation	Recommendation	Comment of the Accounting Officer
An annual action plan in respect of activities to be implemented by the Sabha as per 06 by-laws prepared had not been prepared.	An annual action plan should be prepared.	Action will be taken to prepare an action plan for 06 by-laws which was obtained approval.

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) Ownership of lands which is located office buildings, public libraries, public playgrounds, public fare, bones grinding mill, children parks, community centers and slaughterhouse had not been transferred to the name of the Sabha.	Action should be taken to obtain title deeds.	Action will be taken in this regard and they will be transferred to the name of the Sabha
(b) Action had not been taken to settle excess contribution of Employee Trust Fund of Rs. 126,988 recovered from 08 persons for the period from the year 2016 to 2018	Take relevant action in respect of excess recovery.	Action will be taken to transfer it to revenue of the Sabha.

3.3 Human Resources Management

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) According to carder list, staff vacancies had not been filled for 14 posts and 01 excess Development Officer had been recruited	Action should be taken to fill such vacancies.	Officers had not been filled to such posts by transfers or permanent appointment up to now. We have requested to fill them from relevant authorities many time by written. No any effective replies had not been received by us from them.
(b) Action had not been taken to recover a sum of Rs. 77,552 outstanding from 15 employees for the period from the year 2013 to 2019.	Action should be taken to recover loan balance.	Those employees were not at duty in the Sabha for over last 10 years. Action will be taken by finding out whether they are still working or retired.

3.4 Procurement

3.4.1 Procurement Plan

Audit Observation	Recommendation	Comment of the Accounting Officer
Even though a sum of Rs. 23.4 million for supplies, instrument and repairing activities and a sum of Rs. 14.5 million for capital	Annual procurement plan should be prepared.	Officers who have got training in this regard had been transferred out, thus delay was incurred in preparing it. Works in respect of preparing

expenses had been spent in the year under review, a procurement plan had not been prepared.

procurement plan reached at finishing stage. This plan will be renewed annually in ensuing periods.

4. Accountability and Good Governance

4.1 Unresolved Audit Observations

Audit Observations	Recommendations	Comments of the Accounting Officer
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(a) According to written statement received to audit in respect of leasing out 84 stalls situated in the Hidjra Public Fair constructed in the year 1999, private stalls situated close to this Public Fair have been leased out for a monthly rent in a range from Rs. 6,000 to Rs. 20,000. However, the stalls belonging to the Sabha had been leased out for a monthly rent in a range between Rs. 585 and Rs. 3,335 without calling for fresh quotations, causing an annual loss of Rs. 2,700,000 to the Sabha approximately.	Rent of stalls should be reassessed and lease agreement should be renewed. Further, it should be leased out as per conditions in the agreements.	Officers have attended on 21.02.2019 in respect of rent assessment of said stalls and carried out assessments. Reports in this regard had not been received yet from them. Action will be taken to recover rent by increasing monthly rent of stalls once report is received.
(b) Advance payments to be settled amounting to Rs. 580,277 are being shown in the financial statements for a period of more than 14 years without any proofing documents and being taken action to settle them	Action should be taken to settle the advance payments or to write off from the accounts.	Action had not been taken to settle due to lack of relevant documents. Action will be taken to settle them in future.