

Thunukkai Pradeshiya Sabha
Mullaitivu District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to Audit on 28 February 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 Sabha on 13 July 2020 and 05 October 2020 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 Thunukkai 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 Policies

Audit Observation	Recommendation	Comment of the Accounting Officer
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Accounting policies to be adopted in preparing the financial statements of the Sabha and in submitting them to the audit had not been disclosed in the financial statements for the year under review.	Relevant actions should be taken by the Sabha to disclose accounting policies adopted in preparing the financial statements, in the financial statements.	Action is taken to prepare in accordance with the accounting policies when preparing the financial statements in ensuing periods.

(b) Significant Accounting Deficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
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(i) The value of nineteen office equipment totalling Rs. 63,665 had been shown as furniture	Relevant actions should be taken by the Sabha to rectify	The value of office equipment totalling Rs. 63,664.50 had been

and fittings in the financial statements for the year under review, thus the value of the furniture and fittings had been overstated by Rs. 63,665 whereas the value of the office equipment had been understated.

and show in the financial statements.

shown in the furniture and equipment account erroneously since the years 2014 and 2015. Therefore, it will be rectified in the final accounting report for this year by obtaining relevant approval.

(ii) The values of 25 categories of computers and accessories issued to the Sabha had not been assessed and brought to financial statements for the last 05 to 09 years, thus values thereof had been omitted in the financial statements.

Meaningful actions should be taken by the Sabha to assess the values by an approved Valuer or a Government Valuer and brought to financial statements.

Actions are taken to assess the values of said 25 categories of computers and accessories by a committee of valuation and include values thereof in the accounting reports for this year.

(iii) The value of three plant and machinery equipment totalling Rs. 521,000 had been shown as office equipment in the financial statements for the year under review, thus the value of the office equipment had been overstated by Rs. 521,000 in the financial statements whereas the value of the plant and machinery equipment had been understated.

Actions should be taken by the Sabha to rectify and show in the financial statements properly.

The value of plants totalling Rs. 521,000 had been shown in the office equipment account erroneously since the years 2013, 2016 and 2018. Therefore, it will be rectified in the final accounting report for this year by obtaining relevant approval.

(iv) The value of two machinery equipment totalling Rs. 360,600 had been shown as furniture and fittings in the financial statements for the year under review, thus the value of the furniture and fittings had been overstated by Rs. 360,600 in the financial statements whereas the value of the plant and machinery equipment had been understated.

Actions should be taken by the Sabha to rectify and show in the financial statements properly.

The value of machinery equipment totalling Rs. 360,600.00 had been shown in the furniture and fittings account erroneously. Therefore, it will be rectified in the final accounting report for this year by obtaining relevant approval.

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| (v) | The value of twenty eight computers and accessories totalling Rs. 999,970 had been shown as office equipment in the financial statements for the year under review, thus the value of the office equipment had been overstated by Rs. 999,970 in the financial statements whereas the value of the computers and accessories had been understated. | Actions should be taken by the Sabha to rectify and show in the financial statements. | The value of computers and accessories totalling Rs. 1,275,020.00 (Including Rs. 999,970.00) had been shown in the office equipment account erroneously. Therefore, it will be rectified in the final accounting report for this year by obtaining relevant approval. |
| (vi) | The value of Five hundred and four furniture and fittings totalling Rs. 6,765,902 had been shown as office equipment in the financial statements for the year under review, thus the value of the office equipment had been overstated by Rs. 6,765,902 in the financial statements whereas the value of the furniture and fittings had been understated. | Relevant actions should be taken by the Sabha to rectify and show in the financial statements. | The value of furniture and fittings totalling Rs. 6,765,902 had been shown in the office equipment account erroneously since the years 2014, 2017 and 2018. Therefore, it will be rectified in the final accounting report for this year by obtaining relevant approval. |
| (vii) | The value of eight computers and accessories totalling Rs. 285,290 had been shown as furniture and fittings in the financial statements for the year under review, thus the value of the furniture and fittings had been overstated by Rs. 285,290 in the financial statements whereas the value of the computers and accessories had been understated. | Relevant actions should be taken by the Sabha to rectify and show in the financial statements. | The value of 8 computers and accessories totalling Rs. 285,290 had been shown in the furniture and fittings account erroneously since the years 2017 and 2018. Therefore, it will be rectified in the final accounting report for this year by obtaining relevant approval. |
| (viii) | The value of 33 office and furniture and equipment belonging to the Sabha had not been assessed and brought to financial statements for the | Meaningful actions should be taken by the Sabha to assess the values by an approved Valuer or a | Actions are taken to assess the values of said 33 categories of furniture and equipment by a committee of valuation |

last 05 years, thus values thereof had been omitted in the financial statements for the year under review.

Government Valuer and brought to financial statements.

and include values thereof in the accounting reports for this year.

(c) Lack of Evidences for Audit

Audit Observations	Recommendations	Comments of the Accounting Officer
Twenty nine sundry creditors account and two revenue debtors account totalling Rs. 39.64 million could not be satisfactorily vouched or accepted in audit due to non-submission of balance confirmations to the audit.	Meaningful actions should be taken by the Sabha to obtain and file above mentioned written documents properly.	Balance confirmations of Provincial Specific Grant and sundry creditors had been made.

1.4 Non-compliances

1.4.1 Non-compliances with Rules, Regulations and Management Decisions

Reference to Rules, Regulations and Management Decisions	Non-compliances	Recommendations	Comments of the Accounting Officer
(a) Pradeshiya Sabhas Act No. 15 of the year 1987 Section 172(1)	By-laws should be enacted in respect of important matters. However, any by-laws had not been enacted even up to 31 December 2019.	Meaningful actions should be taken by the Sabha to enact by-laws.	Not commented.
(b) Pradeshiya Sabhas (Financial and Administrative) Rule of the year 1988			
(i) Section 66 of Chapter II	No meaningful actions had been taken by the Sabha to recover arrears of revenue valued at Rs. 14,652,270.	Actions should be taken by the Secretary of the Sabha to recover arrears of revenue immediately.	Arrears of Rs.397,010.00 had been recovered. Out of that, a case had been filed in respect of lease recovery of Rs.

				86,681.26 and actions had been taken to write off arrears due to said person deceased. Court fines will be received in ensuing periods.
(ii)	Section 32 of Chapter III	Assessment tax on property had not been evaluated by the Sabha.	Action should be taken by the Sabha to evaluate the assessment tax on property.	It had not been declared any area under the purview of the Sabha as developed area, thus a survey in respect of assessment of tax on property had not been carried out.
(iii)	Section 33 of Chapter III	A survey in respect of assessment tax had not been carried out.	Actions should be taken by the Sabha to carry out a survey in respect of assessment tax.	It had not been declared any area under the purview of the Sabha as developed area, thus a survey in respect of assessment of tax on property had not been carried out.
(iv)	Section 59 and 60 of Chapter III	No actions had been taken to carry out a survey in respect of trade tax.	Meaningful actions should be taken by the Sabha to carry out a survey in respect of trade tax and recover them.	It had not been declared any area under the purview of the Sabha as developed area, thus a survey in respect of assessment of tax on property had not been carried out. However, trade licenses are charged.
(v)	Section 108 of Chapter IV	Any actions had not been taken by the Sabha to maintain a children park situated at Thunukkai for the last two years.	Actions should be taken by the Sabha to maintain this park properly which was handed over to the Sabha and modify it in order to utilize by children.	Works related to Yogapuram centre children park had not been completed yet due to shortage of the fund. Actions will be taken to obtain provisions through

			the fund of the Sabha/ other financial aids and complete the works and operate it.
(vi)	Section 140 of Chapter V	It was observed that advances totalling Rs. 3,297,000 paid to five contractors in the year under review had not been settled.	It should be avoided to pay an advance to the contractors when contract works are not completed.
			A sum of Rs. 3,197,000 had been recovered. A sum of Rs. 40,000 will be rectified once work is finished.
(c)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka		
	No. 571	Refundable electricity charge deposits, tender deposits, road maintenance deposits and four other deposits totalling Rs. 142,430 shown in the deposit account in the year under review had been retained in the deposit account for a period from 01 to 15 months without being settled.	Meaningful actions should be taken by the Sabha through examining the lapsed deposits in due periods.
			Action had been taken to rectify refundable electricity charge and tender deposits.
(d)	Public Administration Circular No. 30/2016 of 29 December 2016	Fuel consumption had not been tested for two vehicles of the Sabha during the year under review.	Actions should be taken by the Sabha to test fuel consumption of all official vehicles being used by the Sabha in proper time periods.
			Fuel consumption had been tested for the vehicles of the Sabha on 02 July 2019. However, fuel consumption of two vehicles obtained after above mentioned period had not been tested. Above test will be done in due period during this year.

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. 15,883,071 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 10,337,630.

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.
(i) Rates and Taxes	170,000	384,900	384,900	-	-	-	-	-
(ii) Rentals	16,234,320	5,196,522	4,603,784	679,419	4,485,450	2,656,630	2,609,480	151,131
(iii) License Fees	933,300	632,300	632,300	-	1,054,000	796,000	796,000	-
(iv) Other Revenue	10,375,592	16,489,393	5,199,527	13,972,850	6,847,500	11,895,397	4,776,856	10,038,205
Total	27,713,212	22,703,115	10,820,511	14,652,269	12,386,950	15,348,027	8,182,336	10,189,336

Audit Observation

Arrears of revenue totalling Rs. 14,652,270 shown in the financial statements as at 31 December 2019 had been examined by comparing with the arrears of revenue totalling Rs. 10,189,335 as at 01 January 2019, total billed revenue for the year under review amounting to 22,703,115 and total revenue collected in the year under review and closing arrears of revenue had not been obtained when their reliability and correctness was rectified by comparing with opening arrears of revenue, billed revenue, collected revenue shown in the statements of accounts in the year under review and the preceding years, thus it could not be satisfactorily vouched or accepted in audit.

Recommendation

Statements of accounts should be prepared by showing correct amount of arrears of revenue unrecovered in the end of the year under review and relevant actions should also be taken by the Sabha to bring them to the financial statements properly.

Comment of the Accounting Officer

Not replied,

2.2.2 Performance in Collection of Revenue

The budget estimate had not been prepared properly and estimate had not been planned and programmed properly. As a result, variance between the budgeted revenue and actual revenue was incurred.

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
It was observed that there were weaknesses in recovering stall rent, three wheeler rent, lease charges, disposal charges, motor grader rent, etc. Total revenue collected in the year under review totalling Rs. 12.566 million was 73.78 per cent of such arrears of revenue of Rs. 17.03 million and 46.16 per cent of recoverable arrears of revenue in the preceding years totalling Rs. 27.22 million. However, age analysis of arrears of revenue in the end of the year under review had not been presented to audit.	Meaningful actions should be taken by the Secretary of the Sabha to recover revenue in due periods and avoid arrears of revenue.	Not replied.

2.2.3 Rent

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
No meaningful actions had been taken by the Sabha to recover arrears of stall rent, motor grader rent, monthly disposal charges, three wheeler rent and lease for the year under review and the preceding years totalling Rs. 814,319 for the last 01 to 07 years.	Meaningful actions should be taken by the Secretary of the Sabha to recover revenue receivable to the Sabha properly in due periods.	A sum of Rs. 330,628 had been recovered in this year. Action will be taken to recover the balance.

2.2.4 Court Fines and Stamp Fees

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
Court fines and stamp fees totalling Rs. 13,836,466 and Rs. 1,485 respectively had to be	Relevant actions should be taken by the Sabha to obtain receivable amount from the	Court fines will be received in ensuing periods and action had been taken to recover

received from the Chief Secretary of the Provincial Council and all authorities as at 31 December 2019.

Chief Secretary, Northern Province within the due periods.

stamp fees of Rs. 1,485.00.

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) Action Plan

Audit Observation

An annual action plan has not been prepared in respect of all kind of activities to be implemented by the Sabha.

Recommendation

Meaningful actions should be taken by the Sabha to prepare an action plan and implement the activities therefor.

Comment of the Accounting Officer

It had already been prepared and implemented.

(b) Solid Waste Management

Audit Observation

The activities of burning and burying had only been made by the Sabha in respect of disposing garbage under the purview of the Sabha. Nevertheless, no meaningful actions had been taken by the Sabha in respect of implementing solid waste management including compost and recycling projects for the last five years.

Recommendation

Meaningful actions should be taken by the Sabha to implement solid waste management including compost and recycling projects.

Comment of the Accounting Officer

Garbage approximately 0.6 tons had been collected per day in the areas under the purview of the Thunukkai Pradeshiya Sabha. Such garbage is being segregated as decayable waste, tins, bottles, roof tiles and plastic items. Further, garbage collecting by us had not been enough to use by recycling method and machinery expense therefor is high, thus recycling process had not been implemented.

(c) **Sustainable Development Goals**

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
In order to achieve Sustainable Development Goals by 2030, no meaningful actions had been taken by the Sabha to establish targets to be achieved and gaps in achieving those goals and relevant indicators required for measuring the progress as well in terms of Sustainable Development Act No. 19 of 2017 for the last two years.	Meaningful actions should be taken by the Sabha quickly to establish the sustainable development goals and make relevant indicators required for measuring their annual progress.	All project proposals and development activities will be prepared towards a long term development in ensuing periods.

3.2 Management Inefficiencies

Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
(a) It was observed that a total sum of Rs. 33.186 million had been invested by the Sabha in fixed deposits of a bank for the last 01 to 11 years without being implemented development work to be implemented as per budget.	Meaningful actions should be taken by the Sabha to invest them in the projects as enable to benefit to the general public and increase the income generations by using such funds in a way as enable to give general benefits.	It had not been deposited in fixed deposits of the Sabha after the year 2016 and above deposits will be withdrawn and utilized for development and revenue generation activities.
(b) Twelve capital work schemes totalling Rs. 4.9 million estimated in the year under review had been abandoned completely without being implemented. However, reasons therefor had not been made available to audit.	Meaningful actions should be taken by the Sabha to implement and complete the activities included in annual budget of the Sabha properly as approved.	Other works had been implemented as substitute as per decision of the Sabha. Advance had been paid for two works as per Decision No. 326/2019.

3.3 Human Resources Management

(a) Vacancies and Excesses of Cadre

Audit Observations	Recommendations	Comments of the Accounting Officer
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(i) Out of the approved cadre of the Sabha, Librarian and Market Supervisors had not been appointed up to now. As a result, it was observed that uses of library and supervising of market activities were at poor level.	Meaningful actions should be taken by the Sabha to appoint such staffs properly and carry out the activities of the Sabha in a proper manner.	After an annual transfer, there were only approved management service officers. A request letter had been forwarded to the Commissioner of Local Government, Northern Province for the approval in respect of appointing for the post of market supervisor externally as there were not qualified candidates from internal staff. A request letter had been forwarded again to the Commissioner of Local Government, Northern Province to fill the vacant post of market supervisor externally by my letter No. Np/14/44(05)/01/08/2019 dated 23 July 2019 through Assistant Commissioner of Local Government. Further, a request letter had been forwarded to relevant officials by my letter No. Np/14/44(05)/01/11/2018 dated 23 July 2018 to fill the vacant by pointing out the situation that efficient works could not be carried out due to failure to appoint a librarian for our library.
(ii) It was observed that a management service officer over the approved cadre of the Sabha had been employed.	Action should be taken to transfer staff of management service officer by informing in respect of excess carder to the Commissioner of Local Government, Northern Province.	

3.4 Transaction in Contentious Nature

Audit Observation	Recommendation	Comment of the Accounting Officer
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A sum of Rs. 3.30 million had been paid from the fund of the Sabha to two contractors and three community centers for various reconstruction and rehabilitation works of the Sabha as an advance in the year under review and it was observed five instances in audit that they had not been settled up to date.	It should be avoided to pay an advance to the contractors when contract works are not completed.	A sum of Rs. 3,197,000 had been recovered in this year. A sum of Rs. 40,000 will be rectified once work is finished.

3.5 Assets Management

3.5.1 Assets not acquired

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) No meaningful actions had been taken to transfer the ownership of 05 vehicles such as water bowser, tractor, etc. to the Sabha which were donated to the Sabha by various Government and Private Organizations up to now.	Meaningful actions should be taken by the Sabha to transfer the ownership of the vehicles to the Sabha in due periods as they were being used by the Sabha without being transferred the ownership to the Sabha.	Action is being taken to transfer the ownership.
(b) Land and building totalling Rs. 79.48 million had been shown in the financial statements of the Sabha. However, land deeds, land survey maps and files in respect of transfer of ownership thereof to the Sabha were not at the Sabha.	Meaningful actions should be taken by the Sabha to obtain land deeds to the Sabha and assess the properties and show the face values thereof in the financial statements.	(a) Land survey maps are available for said lands. Further, action had been taken to obtain land permit through the Commissioner of Land. A request had been made to assess the lands from the Department of Valuation. (b) Valuation reports for 25 buildings and work files are in the Sabha.

3.5.2 Failure in carrying out Maintenance and Repairing

Audit Observation	Recommendation	Comment of the Accounting Officer
No meaningful actions had been taken by the Sabha to repair and use water pump and tractor issued to the Sabha as donation for the last 10 years.	Meaningful actions should be taken by the Sabha to repair and use them.	Not replied.

3.5.3 Idle/ Underutilized Assets

Audit Observation	Recommendation	Comment of the Accounting Officer
----- It was observed that 10 roofing sheets had been kept at store for over the last 01 year without being utilized and values thereof had not been made available to audit.	----- Meaningful actions should be taken to show the values of the roofing sheets and use them properly by finding out the reasons for keeping them at store.	----- Not replied.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Recommendation	Comment of the Accounting Officer
----- Budget of the Sabha for the year under review had not been planned and prepared through the proper mechanism, thus, favourable variances ranging from 09 per cent to 68 per cent between five categories of the budgeted expenditure and actual expenditure and adverse and favourable variances ranging from 32 per cent to 126 per cent respectively between six categories of the budgeted revenue and actual revenue were observed.	----- Meaningful actions should be taken by the Sabha to consider appropriate sources and prepare practically possible annual budget and implement it efficiently by submitting it for the approval of the general public.	----- Not replied.

4.2 Internal Audit

Audit Observation	Recommendation	Comment of the Accounting Officer
----- An internal audit unit had been established in order to carry out the activities of the Sabha efficiently through audit of its activities. However, internal audit programme and reports on the internal examinations of account had not been made available to audit for the last two years.	----- Actions should be taken to prepare internal audit programme and reports on the internal examinations of account.	----- An internal audit unit had been established and internal examinations of account are being carried out properly and reports on examinations had been included in file in respect of internal examination of account. However, it had not been presented you mistakenly.