

Padavi SriPura Pradeshiya Sabha
Trincomalee District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2019 had been submitted to audit on 04 May 2020 and the summarized Auditor General's Report relating to that was sent to the Chairman on 12 August 2020 and the detailed management report was sent on 12 August 2020.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph of Basis for Qualified Opinion, financial statements give a true and fair view of the financial position of the Padavi Sri Pura 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 Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(i)	Fee income for services was understated by Rs. 70,440 and the miscellaneous deposit balances of current liabilities were overstated by that value.	Action should be taken to accurately identify the income relevant to the period.	I kindly inform you that in the year 2020 we will transfer to the relevant account and take action to correct it.
(ii)	To rectify the accounting deficiencies relating to the previous year, a sum of Rs.3,536,718 was debited to the revenue debtor's account and credited to the income account, and the revenue for the year under review was overstated by that amount.	The income for the period should be accounted for correctly.	In preparing the final accounts for the future, I kindly inform you that as the audit have pointed out, the Revenue debtors will be debited and the Accumulated Funds Account will be credited.
(iii)	The accrued expenses of Rs.436,788 which had been abandoned in the previous year, had been accounted as the expenditure of the year under review and thus, the expenditure for the year under review had overstated by Rs.436,788.	Must be properly accounted for.	Action will be taken to correct.

- (ivi) Capital revenue had been overstated by 1,982,058 in the preceding year by correcting the accounting deficiencies of the previous year. Income should be identified in relation to the period. In preparing the final accounts for the future, I kindly inform you that as the audit have pointed out, the capital revenue account will be debited and the Accumulated Funds Account will be credited.

(b) Documentary Evidences not made available for Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>Detailed schedules for 05 accounts amounting to Rs.98,819,656 had not been submitted for audit.</p> <p>The audit could not be satisfactorily verified due to the lack of information presented for following 05 account items amounting to Rs. 98,819,656</p>	<p>Evidences should be presented.</p>	<p>I kindly inform you that I will look into the documents of previous years and correct them in the future.</p>

(c) Un-reconciled Accounts

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>Two account balances shown in the balance sheet were shows a different of Rs.4,091,178 with its schedules.</p>	<p>Action should be taken to identify deposit details or take appropriate action accordingly.</p>	<p>I further kindly inform you that due to the difficulty of finding the documents required for these values related to the schedules which have been in existence for a very long time, the relevant schedules and final account balances have so far failed to be balanced.</p>

1.4 Non-Compliance

Non-Compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, Regulations and Management Decisions	Non-Compliance	Recommendation	Comments of the Accounting Officer
(a) Pradeshiya Sabha Act No. 15 of 1987			
(i) Section 159	No action had been taken to recover the arrears revenue of Rs. 1,057,300 due at the end of the year under review.	Action should be taken to recover the arrears revenue.	I kindly inform you it has been submitted to the Sabha to take legal action to recover the remaining arrears. and further action will be taken thereafter.
(b) Pradeshiya Sabha (Finance and Administration) Regulations of 1988			
(i) Regulation 59	At the beginning of each year, the Pradeshiya Sabha did not conduct a survey of the existing businesses and industries in the Sabha area.	A business and industry survey should be conducted for the coming year or so.	I kindly inform you that I have been instructed to conduct the survey from the beginning of the year 2021.
(ii) Regulation 218	All land and buildings, were not surveyed every year.	Relevant reports should be submitted after conducting surveys.	Kindly inform you that vehicles and roads are surveyed annually and other assets are maintained and monitored annually.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) Financial Regulation 880	Officers who should keep security deposits had not been deposited employee securities.	Action should be taken to keep security deposits	I kindly inform that arrangements will be made to deposit securities in the future from the

officers who should keep security deposits.

(ii) Financial Regulation 571 Public deposits of Rs.4,565,419 and contract deposits of Rs. 1,695,431 relating to previous years had not been dealt with. Must act in accordance with monetary financial deposits. I kindly inform you that action will be taken to transfer these lapsed deposit balances to the Council Fund in the future.

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the revenue over recurrent expenditure for the year ended 31 December 2019 amounted to Rs. 4,088,926 when compared with the revenue over recurrent expenditure of the preceding year amounted to Rs. 11,185,706.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears Revenue

Details of estimated revenue, billed revenue, collected revenue and arrears of revenue relating to the year under review and previous year as per the information submitted are shown below

Revenue Source	Estimated Revenue Rs.000	2019			2018			Arrears as at 31 December Rs.000
		Billed Revenue Rs.000	collected Recenue Rs.000	Arrears as at 31 December Rs.000	Estimated Revenue Rs.000	Billed Revenue Rs.000	collected Recenue Rs.000	
Rent	600	658	569	130	1,147	1,321	1,233	57
Water Bill	7,500	7,082	6,434	647	7,000	7,343	7,078	116
License fee	<u>350</u> <u>8450</u>	<u>496</u> <u>8236</u>	<u>395</u> <u>7398</u>	<u>274</u> <u>1051</u>	<u>483</u> <u>8630</u>	<u>856</u> <u>9520</u>	<u>673</u> <u>8984</u>	<u>18</u> <u>191</u>

2.2.2 Water Bill

Audit Observation

An arrears water bill income of Rs. 557,303 on the end of the year under review.

Recommendation

Arrears of water bills for the year under review should be recovered.

Comments of the Accounting Officer

I kindly inform you that the water bill arrears for the previous year have now been recovered.

2.2.3 Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Although an arrears rental income of Rs.130,256 at the end of the year under review is shown in the final financial statements, documents relating to shop rents the arrears rent income was Rs. 88,303.	----- The rent register must be updated correctly.	----- I would like to inform you that the officers in charge of the subject have been instructed to survey these arrears and rectify it in future as these arrears is a outstanding coming up from the year 2015.

2.2.4 License Fee

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Outstanding license revenue of Rs. 247,250 was at the end of the year under review and Out of which Rs.149,550 was the arrears of revenue for the previous year.	----- Action should be taken to recover the outstanding license revenue.	----- This arrears license fee is a fee that was incorrectly entered in the final accounts for the year 2018. I will correct it by the 2020 account.

3. Operating Review

3.1 Performance

Following matters were revealed relating to the functions which should be performed by the Sabha to regulate and administrate public health, public utility services and public roads and luxury, convenience and welfare of the people under section 3 of the Pradeshiya Sabha Act.

(a) By-Laws

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Under Section 126 of the Pradeshiya Sabha Act, by-laws were to be enacted to fulfil 28 main matters but no by-laws had been enacted till 31 December 2019.	----- Once the by-laws have been drafted, the necessary steps must be taken to enforce them.	----- Letters have been sent to the Office of the Assistant Commissioner of Local Government for the imposition of by-laws on 28 major issues, but no reply has been received so far and action will be taken as soon as the reply letters are received.

(b) Solid Waste Management

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Solid waste management was not done properly.	----- Solid waste management should be done properly.	----- I will take action to rectify them.

(c) Environmental License

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Although 49 applications have been issued for enterprises for which environmental licenses are applicable within the Sabha area from 2015 to 2019, only 06 licenses have been issued in this regard.	----- Surveys should be conducted to identify relevant industries and issue environmental permits for them.	----- Although applications have been submitted for obtaining environmental protection permits, only 06 environmental permits have been issued due to non-compliance with the relevant criteria and the remaining ones have not been licensed.

(d) Sustainable Development Goals

Audit Observation	Recommendation	Comments of the Accounting Officer
----- The Sabha did not identify the Sustainable Development Goals, Targets and the measurements contained in the Sustainable Development Act No. 19 of 2017 in the year under review.	----- New objectives related to sustainable development need to be identified and implemented in a timely manner.	----- I kindly inform you that the water project implemented by the Pradeshiya Sabha will be continued in relation to sustainable development, and the work of this project is being carried out in accordance with the objectives, goals and criteria related to sustainable development.

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
----- (a) The Pradeshiya Sabha authorities had not taken action during the year under review to collect the court	----- Court fines and stamp duty income for the year should be	----- I kindly inform you that discussions have been held for this purpose and steps will be

fines and the revenue of stamp duty levied on the transfer of property.	identified and collected annually.	taken to recover those court fines in the future.
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| (b) No action had been taken to settle the advance balance of Rs. 180,654 brought forward from previous years. | Further action should be taken regarding unpaid advances. | I would like to inform you that these balances which have been brought forward since 2013 will be rectified in the future. |
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3.3 Human Resource Management

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) There are 13 vacancies in approved 07 posts.	Action should be taken to fill the existing vacancies.	I inform you that the relevant institutions have been informed of the need to fill the vacancies and documents have been sent.

3.4 Assets Management

3.4.1 Under Utilized Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
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Three vehicles belonging to the Sabha have been underutilized for a long time.	Arrangements should be made to repair, use or remove as appropriate.	The Mahindra Cab mentioned here has been approved by the Sabha for repair and the hand tractor has been approved for sale by the 2018 Board of Survey, the hand tractor is currently at usable level and the iron bowser is inactive.

3.5 Vehicle Administration

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Daily driving records of 13 vehicles had not been submitted for audit.	Monthly summaries and daily running charts should be submitted for audit on the due date.	I kindly inform you that the monthly daily running charts will be submitted soon.
(b) No action was taken to take over 06 vehicles to the Pradeshiya Sabha which is used by the Sabha,	Action should be taken to take over the ownership of the vehicles to the Sabha.	I kindly inform you that further necessary steps will be taken to take over in the future.