

ThambalagamuwaPradeshiya Sabha

Trincomalee District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to Audit on 28 April 2020 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 08 July 2020 and 14 July 2020 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph of basis for qualified opinion, the financial statements give a true and fair view of the financial position of the ThambalagamuwaPradeshiya Sabhaas at 31 December 2019 and its financial performance and the cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

(a) Accounting Deficiencies

Audit Observations	Recommendation	Comments of the Accounting Officer
As the bid deposit repayment Rs.10,000 made during the year under review had been included to the financial statement final balance, a difference between the bid deposit ledger balance and the financial statements balance had been observed.	Payment of bid deposit should be deducted and the balance would be accounted.	The bid deposit payment Rs.10,000 made in the year 2019 had been erroneously included to the final balance. I like to inform you that when preparing the financial statements for the 2020 year this will be corrected.

(b) Accounts Receivables

Audit Observations	Recommendation	Comments of the Accounting Officer
The beef stall rent income Rs.153,299 was in arrears at the authoritative area of the Sabha for the last 03 years are being shown	Action should be taken to recover the arrears rent.	Actionis underway to continue charging.

continuously in the financial statements without taking action to recover them.

(c) Evidences not made available for Audit

Audit Observations -----	Recommendation -----	Comments of the Accounting Officer -----
Books had not been presented for the fixed assets items valued at Rs.54,428,824.	Action should be taken to maintain the fixed asset register.	A Valuation Committee had been set up for the entire assets except for vehicles, which caused a delay in revaluation.

1.4 Non-Compliances

1.4.1 Non-compliances with Laws, Rules, Regulations and Management Decisions

Following instances of Non-compliances to Laws, Rules, Regulations and Management Decisions are given below.

Reference to Laws, Rules, Regulations and Management Decisions -----	Non-Compliances -----	Recommendation -----	Comments of the Accounting Officer -----
Public Administration Circular No. 09/2009 dated 16 April 2009.	Even though it had been stated that the holiday allowance had to be ensured by the fingerprint machine, nevertheless a sum of Rs.65,104 had been paid to an officer during the year under review without ensuring by fingerprint machine.	Actions should be taken to as per Circular.	I would like to inform you that Secretary's finger prints will be noted in future.

2. Financial Review

2.1 Financial Result

According to the financial statements presented, excess of revenue over recurrent expenditure for the year ended 31 December 2019 amounted to Rs.6,820,977 when compared with excess of revenue over recurrent expenditure of the preceding year amounted to Rs.745,678.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Arrears Revenue

Information of estimated revenue, billed revenue, collected revenue and arrears of revenue relating to the year under review and previous year are shown below.

Revenue Source	2019				2018			
	Estimated Revenue	Billed Revenue	Recovered Revenue	Arrears as at 31 December	Estimated Revenue	Billed Revenue	Recovered Revenue	Arrears as at 31 December
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Rates and Taxes	11,050	5,964	5,964	270	11,050	6,477	6,344	133
License Fee	2,053	940	930	10	1,463	913	905	8
Others	15,350	12,049	11,268	781	4,500	3,601	3,058	543
Total	<u>28,453</u>	<u>18,953</u>	<u>18,162</u>	<u>1,061</u>	<u>17,013</u>	<u>10,991</u>	<u>10,307</u>	<u>684</u>

2.2.2 Rates and Taxes

Audit Observation

Recommendation

Comments of the Accounting Officer

Action had not been taken to identify the immovable property in the authoritative area of the Pradeshiya Sabha and assess the annual value and levy assessment Taxes on it.

Action should be taken to identify the immovable property and assess its annual value and levy assessment tax.

In this regard, the committee appointed by Assistant Commissioner of Local Government had been inspected the assessment places. Furthermore, in dealing with this in the first quarter of 2020, unfortunately this work was hampered by the influence of Covid 19. Instructions had also been received at the Audit and Management Committee meeting. Accordingly, action had been taken to send two of our officers to the Batticaloa Valuation Department.

2.2.3 Beef stall lease rental Income

Audit Observation

Recommendation

Comments of the Accounting Officer

Even though the beef stalls lease income Rs.395,255 at the authoritative area of the Sabha is in arrears up to the year under review, action had not been to recover these arrears until the date of audit of 02 June 2020.

Action should be taken to recover the rent arrears.

Speedy actions had been taken to recover.

2.2.4 Stamp Charges

Audit Observation	Recommendation	Comments of the Accounting Officer
Necessary actions had not been taken to calculate the Stamp Duties for the year 2019 and to recover it from the Registrar General.	Action should be taken to recover stamp duties.	Continuous actions are being taken to recover the stamp duties for the year 2019.

3. Operational 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 comfort, convenience and welfare of the people under section 3 of the Pradeshiya Sabha Act.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) By-laws		
As per the Section 126 of Pradeshiya Sabha Act No.15 of 1987, actions had not been taken to prepare and implement by-laws for 09 major activities with regard to regulate income of the Sabha.	Action should be taken to enact by-laws.	It is planned to hold discussions with the members of the Sabha in this regard and take necessary steps to implement expeditiously.
(b) Solid Waste Management		
Garbage collected within the area of the Sabha had been disposed of, at the PalampotaAaru area without segregation but action had not been taken yet to obtain a suitable land for collection of garbage and implement the solid waste management.	A land suitable for disposal of garbage should be established and steps should be taken to implement the solid waste management successfully.	Since the activities are being carried out continuously after the approval of the District Development Committee for obtaining the area of "Palampota AruSinghekanda", for the Sabha to temporary dumping of garbage. After obtaining the approval it had been decided to segregate solid waste to recycling and used for compost. Further, provisions had been made for this out of the PSDG funds of the year 2020.

(c) Sustainable Development Goals

 The Sabha had not been achieved any progress on the agenda of sustainable development targets that should be achieved by 2030 referred to in the Sustainable Development Act No.19 of 2017.

Speedy action should be taken to achieve the Sustainable Development Goals.

Officers will be properly trained in this regard and action will be taken to implement it successfully in the future.

3.2 Management Inefficiencies

 The following matters were observed.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) A loan of Rs.11,800,224 had been obtained from the Local Loans and Development Fund in 2012 to construct the office building had not been settled up to now by the Sabha.	Action should be taken to settle the loan.	I would like to notify you that out of the loan of the Local Loans and Development Fund, only 06 months instalments had been paid and the income of the Sabha was not sufficient to pay the other instalments.
(b) Nine receipt books used by the Sabha during 2013 and 2014 had been disappeared during 2015 and as a result the money collected had not been handed over by the officer in charge of receipts to the Sabha.	Activists should oversee the financial affairs.	In this regard, the amount due to be paid had been calculated and recovered from them and a formal disciplinary inquiry had been conducted against the officer who was acted as Secretary at that time and disciplinary orders also issued.

3.3 Human Resource Management

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Vacancies and Excess of Posts ----- Three assistants and 05 labourer posts had been vacant and action had not been taken to fill them.	Action should be taken to fill the vacancies.	Relevant recruitment authorities had been informed in this regard

- (b) Action had not been taken to recover the loan balances outstanding Rs.16,474 from the employees who left over the service or from their guarantors. Action should be taken to recover the loan arrears. Appropriate action would be taken to recover.

3.4 Assets Management

3.4.1 Idle Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
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Motorcycles, two-wheel tractor and four-wheel tractor in the Sabha had been inactive for more than 03 to 12 years without being repaired to make use of them.	Steps should be taken as per the decision of the Board of Survey.	It had been decided to take necessary steps as per the Board of Survey reports of the year 2019.

3.4.2 Annual Board of Survey

Audit Observation	Recommendation	Comments of the Accounting Officer
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According to the Section 203 of Chapter XI of Finance and Administration Rules of 1988 of the Pradeshiya Sabha, an Annual Board of Survey committee should be established in the first period of the January and obtain annual board of survey report within one month from that date and copies thereof had not been sent to the Auditor General in accordance with Section 206.	The Board of Survey Report should be prepared in due time and copies of them should be sent to the Auditor General.	The Board of Survey Report for the year 2019 has now been completed and will be sent to you copies immediately.

3.5 Uneconomic Transactions

Audit Observation	Recommendation	Comments of the Accounting Officer
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The Officers' responsible for had been failed to remit the contributions of Employees' Trust Fund for employees of the Sabha during the period January 2012 to	Action should be taken to pay and settle Employees' Trust Fund contributions relevant to the time	I would like to inform you that the Employees' Trust Fund had to pay fines for not being able to pay salaries on time due to the lack of

April 2016 and as a result Rs.52,673 period. had been paid by the Sabha as surcharges.

funding facilities in the Sabha.

3.6 Procurement

3.6.1 Procurement Plan

Audit Observation

Recommendation

Comments of the Accounting Officer

As per the Circular No.128 of 24 March 2006 of the Department of National Budget, the Sabha had not prepared a procurement plan for the year under review.

Annual procurement plan should be prepared.

The procurement plan for the year 2020 had been prepared.

3.6.2 Contract Administration

(a) Construction of the Market Building

Audit Observation

Recommendation

Comments of the Accounting Officer

(1) The construction of the market building for Rs.10,743,042 under the Programme for Strengthening of Pradeshiya Sabhas of the Ministry of Provincial Councils and Local Government to be completed by the contractor and handed over to the Sabha by 22 January 2018. However, the contractor had not been completed the construction work even by the date of audit of 15 May 2019. However, neither further actions had been taken for the contractor and nor late fees of Rs. 537,152 had been charged too. Further, Although the ceiling 81.5 m³, floor tiling and skirting etc. had not been properly done and in the situation of the wall paintings had also been cracked, hence without paying attention for any of these and not obtain the report from the technical officer's for make the payment, the Chairman of the Sabha had recommended payment.

Action should be taken to complete the construction work, recover the late fees and rectify the deficiencies.

However, so far as the surety money has not been released yet, I like to inform you that we will inform to the Department of Local Government to recover late fees from the surety. Based on the recommendations made by the technical officer of the payment voucher for the work you have disclosed in the relevant market building, the Chairman had been made the request to the Commissioner of Local Government as the contractor has requested the letters of recommendation.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>An Internal Audit Officer had been appointed and stated that he should submit internal audit reports monthly, none of a report had been submitted even by the date of audit of 02 June 2020. Accordingly, even though the Internal Auditor had been appointed, the objective was not fulfilled.</p>	<p>-----</p> <p>The Internal Audit Officer should be carrying out the internal audit activities successfully.</p>	<p>-----</p> <p>The first Audit and Management Committee meeting had been held on 18.05.2020. At that meeting instructions for internal audit had been received. Accordingly I would like to inform you that internal audit reports will be submitted properly.</p>

4.2 Audit and Management Committee

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>Although it was stated that the Audit and Management Committee meetings should be held at least quarterly, the Council did not hold any meetings during the year under review.</p>	<p>-----</p> <p>Action should be taken as per the Circular.</p>	<p>-----</p> <p>The first Audit and Management Committee meeting of the quarter had been held in 18 May 2020. Arrangements had been made to hold meetings on a regular basis every quarter.</p>