

Chavakachcheri Pradeshiya Sabha

Jaffna District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to Audit on 24 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 30 June 2020 and 31 August 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 Chavakachcheri 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 preparing the Financial Statement

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
Accounting policies adopted in preparing the financial statements had not been disclosed by the Sabha in the financial statements.	Accounting policies will be disclosed in future.	Financial statements preparing accounting policies should be disclosed in the financial statements.

(b) Accounting Deficiencies

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
(i) It has been understated the motor vehicles values in the financial statement due to has not evaluate the value of five vehicles has not been included in the financial statement.	Action has been taken to appoint the committee and calculate the value.	Should be included evaluate the amount of vehicles in the financial statement.

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| (ii) | It has been understated the assets values in the financial statement due to value of the 15 building and land has not been included in the financial statement. | Continue action is being taken. | Should be included evaluate the amount of land and building in the financial statement. |
| (iii) | It has been understated the land and building value in the financial statement due to value at Rs.8,830,000 of 05 markets has not been included in the financial statement. | Will be included market value in future. | Should be included evaluate the amount of markets in the financial statement. |

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-compliances	Comments of the Accounting Officer	Recommendation
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(a) National Audit Act No. 19 of 2018 Sub section 16(2)	Annual performance report had not been presented along with the financial statements.	Will be presented with financial statements in future.	Appropriate action should be taken to present annual performance report in terms of Act.
(b) Pradeshiya Sabhas Act No. 15 of the year 1987 Section 158(1)	Warrant had not been issued by the Chairman to the defaulters of arrears of assessment tax on property totaling Rs. 2,545,710.	Will be issued the warrant in the year 2020.	Appropriate action should be taken in term of Pradeshiya Sabha Act.

(c) Ministry of Public Administration and Management Circular

02/2018 of Could not be ensured that Action has been Appropriate action
24 January 2018 the staff training for at continued to provide should be taken to
least 12 hours per year. train. provide the staff
training in terms of
Circular.

(d) Other Circular

Local Government Services receiving Action will be Appropriate action
circular No. 2018/e facilities had not been taken to give should be taken in
Local Government 01 provided through the services after terms of Circular.
dated 19.07.2018 online for citizens. approval of the
Hon. Governor.

1.4.2 Noncompliance with Tax Requirements

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
In terms of Section 154 of Pradeshiya Sabhas Act No. 15 of the year 1987, sales tax equivalent to 1% should be recovered on sales of certain lands. However, no action had been taken by the Sabha to recover them.	Action has been taken to recover our Pradeshiya Sabha's sales tax equivalent to 1% to the Sabha.	Appropriate action should be taken to recover accordance with Pradeshiya Sabha Act.

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. 35,168,509 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 32, 663,917.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Collected Revenue and Arrears of Revenue

Information on the estimated 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	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	2,568,317	161,994	3,313,013	106,000	24,731	484,156
Rentals	16,563,200	15,249,649	103,454	13,679,907	14,903,808	113,004
License Fees	1,476,100	3,428,164	5,850	739,050	1,950,111	5,850
Other Revenue	74,190,648	78,437,100	-	74,467,943	71,580,662	-
	94,798,265	97,276,907	3,422,317	88,992,900	88,459,312	603,010

2.2.2 Rates and Taxes

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) No appropriate action had been taken to recover arrears of rates and taxes value at Rs. 2,545,710.	Is being recovered the arrears of tax on property.	Appropriate action should be taken to recover the rates and taxes.
(b) No action has been taken to recover the arrears of hectare tax value at Rs. 57,086.	The relevant documents could not been written off as they were destroyed during the war.	Appropriate action should be taken to recover arrears of hectare tax.

2.2.3 Court Fines

Audit Observation	Comment of the Accounting Officer	Recommendation
Court fines totalling Rs.5,905,950 had to be received from the Chief Secretary of the Provincial Council and all authorities as at 31 December 2019.	Provincial Treasury has not been received the court fine.	Appropriate action should be taken to recover the arrears counts fine.

3. Operating Review

3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

(a) By-Law

Audit Observation	Comment of the Accounting Officer	Recommendation
By-laws were required to be enacted for 30 main functions in terms of section 126 of the Pradeshiya Sabhas Act. But, bylaws had been enacted for 25 functions only even as at 31 December 2017.	25 functions had been published by-laws in a Gazette.	Action should be taken to enact appropriate by-law in term of act.

(b) Action Plan

Audit Observation	Comment of the Accounting Officer	Recommendation
An annual action plan had not been prepared in respect of 25 activities to be implemented by the Sabha as per by-laws enacted.	An annual action plan will be prepared.	Appropriate action should be taken to enact annual action plan as per the by-law.

(c) Solid Waste Management

Audit Observation	Comment of the Accounting Officer	Recommendation
Although the income has not been received, Expenditures Rs.160,389 had been made related solid waste management in the year under review.	Has been decided to recover Rs.2000 one load tractor waste in the Sabha.	Appropriate action should be taken as per the Solid Waste Management.

3.2 Management inefficiencies

Audit Observation	Comment of the Accounting Officer	Recommendation
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(a) No action had been taken to recover trade license fees for 08 telecommunication towers constructed without being obtained approval.	There is difficulties to get the permission due to the land were in the territory of army camps and there was a court case at present.	Appropriate action should be taken to recover the business license fee in the due period.
(b) Two advance amount of Rs. 1,381,550 has not been settled more than one year shown in the financial statement of the Sabha.	Action is being taken to adjust.	Appropriate action should be taken to settle the advance.
(c) No action has been taken to reassessment of property for over the last 10 years	Final schedule has not been received from relevant department up to now.	Appropriate action should be taken to reassessment of the property.

3.3 Human Resources Management

Audit Observation	Comment of the Accounting Officer	Recommendation
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The Sabha had not recruited and deployed human resources properly. As a result, it was observed in audit that works to be completed by such 16 human resources had been delayed.	Has been sent to department of management service for permission for unscheduled post of permanent appointment.	Appropriate action should be taken to fill the vacancies in the due period.

3.4 Operating Inefficiencies

Audit Observation	Comment of the Accounting Officer	Recommendation
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(a) "K" Form had not been distributed to the 2,725 properties owners in the year under review.	Action will be taken to distribute "K" form.	Appropriate action should be taken to distribute "K" form as per the Act.

- (b) It was observed that a Case has been filed in respect a public hall functioned without trade license. However, Expenses therefore had not been disclosed as contingent liability in the financial statements. Will be shown contingent liability in the financial statement in future. Case related expected liabilities should be shown contingent liability in the financial Statements.

3.5 Assets Management

3.5.1 Assets not acquired

Audit Observation	Comment of the Accounting Officer	Recommendation
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Ownership of 03 vehicles being used by the Sabha had not been transferred to the Sabha.	Continuous actions are being taken	Action should be taken to transfer the ownership of the vehicles.

3.5.2 Idle Assets

Audit Observation	Comment of the Accounting Officer	Recommendation
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Three vehicles had been remained idle for a period from 3 to 10 years	Action is being taken to repair and auction.	Appropriate action should be taken to use the vehicles.

4 Accountability and Good Governance

Budgetary Control

Audit Observation	Comment of the Accounting Officer	Recommendation
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It was observed that this budget was inefficient budget due to grate differences between budgetary expenditure and actual expenditure for the recurrent expenditures.	The difference between the budgetary expenditures and actual expenditures was found due to the lower cost of repairs and the use of lack of warrant.	Appropriate action should be taken by the Sabha to efficiently plan the Budget.