

Vadamaradchy South West 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 25 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 15 July 2020 and 06 September 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 Vadamaradchy South West 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 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

It has been understated the land and building value in the financial statement due to value of Rs. 881,535 weekly market has not been included in the financial statement.

Final Accounts will be included in the year 2020.

Should be included market building value in the land and building amount.

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.	Action will be taken to submit annual performance report with financial statements.	Action should be taken to present annual performance report with the financial statements in terms of Act.
(b) Pradeshiya Sabhas Act No. 15 of the year 1987			
Section 158(1)	Warrant had not been issued to the defaulters of arrears of assessment tax on property totaling Rs. 2,503,684.	Action will be taken to issue warrant in future.	Appropriate action should be taken relate arrears of assessment tax on property in term of Act.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
No.571	No any action has been taken by the sabha to relate laps deposits Rs. 207,420.	Action is being taken to relate laps deposits	Appropriate action should be taken to laps deposits in terms of Financial Regulation.

- (d) Ministry of Public Administration and Management Circular

02/2018 of 24 January 2018

The Public Service list has not been prepared and displayed in accordance with the Conventions of citizens/ beneficiaries.

Action will be taken to prepare the new service list.

Action should be taken to display of public service list in terms of Circular.

- (e) Other Circular

Local Government circular No. 2018/e Local Government 01 dated 19.07.2018

Services receiving facilities had not been provided through the online for citizens.

Action will be taken to give online facilitate

Action should be taken in terms of Circular.

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

Actions will be carried out in collaboration with the banks operating in the area under our Pradeshiya 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. 34,469,646 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs.64,654,300.

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	148,500	141,787	2,503,684	129,500	222,089	2,397,676
Rentals	16,336,850	15,540,722	2,343,730	15,598,396	16,524,871	2,361,520
License Fees	3,245,200	4,207,298	-	2,643,900	3,524,552	-
Other Revenue	106,996,230	85,885,992	8,818,133	99,015,714	111,154,424	50,088,159
	126,726,780	105,775,799	13,665,547	117,387,510	131,425,936	54,847,355

2.2.2 Performance in Collection of Revenue

Audit Observation

Although the income collected in 2018 was Rs. 131,425,936, the income collected in 2019 was Rs. 105,775,799 and the revenue collection performance in 2019 has decreased by Rs. 25,650,137 as compared to 2018.

Comment of the Accounting Officer

The revenue was decreased due to have not received the court fine in 2019, and revenue was increased due to receive the shops rent in 2018.

Recommendation

Appropriate action should be taken to increase the sabha's revenue and the listed revenue should be disclosed in the financial statements.

2.2.3 Rates and Taxes

Audit Observation

No actions had been taken by the Sabha to recover arrears of rates and taxes totaling Rs. 2,503,684 in the year under review.

Comment of the Accounting Officer

Could not be identified the property and recover the tax.

Recommendation

Appropriate action should be taken recover the arrears of rates and tax.

2.2.4 Rentals

Audit Observation	Comment of the Accounting Officer	Recommendation
No action had been taken to recover arrears shop's rent Rs. 274,475 in the year under review.	Appropriate action has been taken.	Appropriate action should be taken to recover the shop's rents arrears.

2.2.5 Court Fines and Stamp Duties

(a) Court Fines

Audit Observation	Comment of the Accounting Officer	Recommendation
Court fines totalling Rs. 5,549,496 had to be received from the Chief Secretary of the Provincial Council and all authorities as at 31 December 2019.	Action has been taken to collect the court fines.	Appropriate action should be taken to recover the arrears counts fine in the due period.

(b) Stamp Duties

Audit Observation	Comment of the Accounting Officer	Recommendation
Stamp duties totaling Rs. 516,587 had to be received from the Chief Secretary of the Provincial Council and all authorities as at 31 December 2019.	Appropriate action has been taken to collect arrears.	Appropriate action should be taken to recover the arrears stamp duties in the due period.

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 -----	Comment of the Accounting Officer -----	Recommendation -----
An annual action plan had not been prepared in respect of 30 activities to be implemented by the Sabha as per by-laws enacted.	Action has been taken to prepare the annual action plan.	Action should be taken to prepare the action plan as per the by-law.

(b) Failure to make Provision

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
As per the action plan for contract work prepared by the sabha, 31 contract projects worth Rs. 31,300,000 which could have been implemented by the sabha could not be implemented.	Has been included in the development reserve and in the budget.	Actions should be taken to implement the contract work in the due period.

(c) Abandoned Activities

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
The crocodile pit drinking water supply project which was implemented at a cost of Rs. 2,999,724 through the Provincial Dedicated Development Donation Fund has not been implemented for more than 03 years.	Proposals for continued implementation have been submitted.	Actions should be taken by the Sabha to implement the plan.

(d) Solid Waste Management

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
(i) The daily collection of garbage had not been cut in to pieces and covered with soil in the area of dumping garbage. Solid wastes were collected without being segregated.	Appropriate action will be taken.	Solid waste should be collected with segregation in the all areas.

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| (ii) | No action has been taken by the Sabha to Medical tests for Sanitary labourers | Is being process medical test. | Medical test should be taken to sanitary labourers in the due period. |
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3.2 Management Inefficiencies

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
(a) It was observed that the Pradeshiya Sabha's important works could not be completed due to has not prepared the Local Government Assistant report in the due period.	Action has been taken to this regards.	Relevant reports should be submitted in the due period by the Local Government Assistant.
(b) No action has been taken to collect the cemeteries tax in the Sabha.	The post of cemetery guard was not allowed.	Action should be taken by the Sabha to collect the cemeteries taxes.
(c) Reassessment has not been carried out for the assessment tax on property for over 48 years.	Activities related to property revaluation are being carried out.	Action should be taken in the due period for property tax reassessment.

3.3 Human Resources Management

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
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 20 human resources had been delayed.	Action has been taken.	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 -----
According to Section 134 of the Pradeshiya Sabhas Act No. 15 of 1987, Form K has not been distributed to 12018 properties for collection of tax in 2019	Form K is being distributed for collection of arrears.	Appropriate actions should be taken to distribute K forms.

3.5 Assets Management

3.5.1 Assets not acquired

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
No action had been taken to transfer ownerships of 06 vehicles to the Sabha up to now.	Action is being taken to transfer ownership.	Action should be taken to transfer ownership of vehicles in the due period.

3.5.2 Idle Assets

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
Furniture of Preschool had remained without being maintained and Preschool had not been functioned for the last 05 years.	Action has been taken to the auction.	Appropriate actions should be taken to use preschool furniture.

3.6 Procurement

3.6.1 Procurement Plan

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
A procurement plan for the year under review should be prepared by the Pradeshiya Sabha for the activities of supplies and services. However, a procurement plan had not been prepared for services up to now.	There is no need to prepare a procurement plan and have been received security services and cleaning services at the beginning of the year.	Action should be taken to prepare the procurement plan as per the approved format in the due period.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
It was observed that this budget was inefficient budget due to grate differences between budgetary expenditure and actual expenditure for the recurrent expenditures.	The actual cost is found to be low due to the presence of 17 personnel vacancies and the low level of demand from the officers for travel expenses and the amount requested by the Department of Pensions.	Appropriate action should be taken by the Sabha to efficiently plan the Budget.