

Valikamam East 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 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 29 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 Valikamam East 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

Accounting Deficiencies

Audit Observation	Comment of the Accounting Officer	Recommendation
The assets of Rs. 1,423,096 shown as overstated due to 3 slaughters included in the land and building has not owned by the Sabha.	Action has been taken to remove. Capital expenses shown as assets.	Assets has to be removed which is not belong to the Sabha.

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
(a) Pradeshiya Sabhas Act No. 15 of the year 1987	Section 126(III) (f)	No appropriate action has been taken by the Sabha relevant no. of 65 unapproved advertisement values Rs. 130,100.	A charger has been received for 08 advertisement board. Appropriate action should be taken to relevant unapproved advertisement in term of Pradeshiya sabha Act.
(b) Pradeshiya Sabhas (Financial and Administrative) Rule of the year 1988	Section 193 of Chapter X	The increase and decrease of the individual income and expenditure has not been researched individually in the year under review.	Not Replied Action should be taken to individually research for income and expenditure increase and decrease of the reason as per the Pradeshiya Sabha Financial Administrative Rules.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka (i) Financial Regulation 371	Advance of Rs. 314,878 has not been settled which paid by the Sabha.	Action has been taken to settle the advance.	Appropriate action should be taken to relevant unsettled advances in terms of Financial Regulation.

(ii) Financial Regulation 571	No action has been taken regarding refund the 40 retention money to be paid to the contractor in respect of Rs. 1,653,205.	Action has been taken to refund.	Appropriate action should be taken to relevant payable of refund in term of Financial Regulation.
 (d) Other Circular			
(i) Local Government circular No. 2018/e 01 dated 19.07.2018	Services receiving facilities had not been provided through the online for citizens.	Action will be taken to the online facilities.	Action should be taken to receive the online services as per the Circulars.
(ii) Circular No 161 dated 1981.12.09	Even though, Value of Rs. 244,400 paid for uniform for the 53 officers, the relevant officers were not wearied the uniform.	Has been instructed to officers and employees to wear the uniform during the office hours.	Appropriate action should be taken by the Sabha to wear the uniform by paid officers as per the Circular.

1.4.2 Noncompliance with Tax Requirements

Audit Observation	Comment of the Accounting Officer	Recommendation
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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.	Auction has not been held.	Action should be taken to recover sales tax in term of 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. 28,601,710 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs.91,347,285.

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	4,614,096	4,902,928	10,451,561	674,390	4,789,809	7,818,398
Rentals	19,191,490	20,668,546	322,575	19,958,110	16,211,489	322,575
License Fees	3,577,600	6,541,541	9,000	4,494,100	4,873,396	48,317
Other Revenue	136,101,867	73,007,647	148,915,043	115,379,590	136,701,293	213,421,162
	163,485,053	105,120,662	159,698,179	140,506,190	162,575,987	221,610,452

2.2.2 Performance in Collection of Revenue

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Collected revenue for the years 2018 and 2019 were Rs. 162,575,986 and Rs. 105,120,661 respectively, thus performance of revenue collection for the year 2019 had been decreased as compared with the year 2018. However, billed revenue could not be presented in the accounts.	Action will be taken in future.	Appropriate action should be taken to increase the sabha's revenue
(b) No actions had been taken to list and collect its revenue for the last 05 years.	Not replied.	Appropriate action should be taken to list and collect revenue.

2.2.3 Rates and Taxes

Audit Observation	Comment of the Accounting Officer	Recommendation
No action had been taken to recover arrears of rates and taxes totaling Rs. 10,451,561 in the year under review.	Action will be taken to recover the arrears	Appropriate action should be taken to recover arrears of rates and taxes in the due period.

2.2.4 Rentals

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) No action has been taken to recover the arrears of rentals at Rs. 14,000.	Action has been taken to recover the arrears amounts.	Appropriate action should be taken to recover arrears amounts by the Sabha in the due period.
(b) No action had been taken by the Sabha to recover arrears of meat stall rent and fine totalling Rs. 356,891 for more than 5 years in the year under review.	Could not conduct and collect the rent from the relevant meat stall person.	Appropriate action should be taken to recover the arrears of rents and fine by the Sabha in the due period.

2.2.5 Court Fines and Stamp Fees

(a) Court Fines

Audit Observation	Comment of the Accounting Officer	Recommendation
Court fines totalling Rs. 5,710,290 had to be received from the Chief Secretary of the Provincial Council and all authorities as at 31 December 2019.	Request letter has been sent to Chief Secretary's office.	Appropriate action should be taken to recover the arrears counts fine in the due period.

(b) Stamp Duty

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
Stamp duties totalling Rs. 137,336,990 had to be received from the Chief Secretary of the Provincial Council and all authorities as at 31 December 2019.	Receivable balance has been adjusted from the final accounts.	Appropriate action should be taken to recover the arrears stamp duties in the due period.

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 Sabha Act. However, only 26 functions had been implemented in 31 December 2017.	Action will be taken to prepare other by-laws.	Appropriate action should be taken to enact by-law accordance with act.

(b) Action Plan

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
An annual action plan had not been prepared in respect of 26 activities to be implemented.	Not replied.	Annual action plan should be prepared in term of by - law.

(c) Solid Waste Management

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
(i) Garbage spilled all over the road and faces the head problem of the public due to garbage collected in the open vehicles.	Action should be taken to recover the chargers.	Efficiency action should be taken to remove the garbages by the Sabha as per the Solid waste Management.
(ii) No action has been taken to Medical tests for Sanitary labourers.	Vaccination has been injected to all the solid waste disposal labourers in this year.	Medical tests for Sanitary labourers should be carried out by the Pradeshiya Sabha in due period.
(iii) Solid wastes had been collected without being segregated.	Nor Replied.	Action should be taken by the Sabha in term of Solid Waste Management.

(d) Environmental Issues

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
No actions had been taken to spray mosquito oil for preventing spread of mosquitos and flees and to prevent bad smell	Action had been taken to spray mosquito oil and to prevent bad smell.	Appropriate actions should be taken by the Sabha for environmental Protection and remove the solid waste.

3.2 Management Inefficiencies

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
(a) A register of assessment tax on property of the sub office had been destroyed in the year 1995. However, no meaningful actions had been taken to recover assessment tax on property up to now.	Action has been taken to prepare the register.	Appropriate action should be taken by the Sabha for reassess the property.

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| (b) | The slaughter has not been efficiently functioned. Even though, Neervely segregation center was constructed in last 4 year with the expenses of Rs. 13,197,084 and thereafter over expenses of Rs. 1,546,524 incurred in 2019. | Income should be income received when Disposed in the garbages. | Appropriate action should be taken by Sabha to efficient function of segregation center |
| (c) | There was no permission approved by the Sabha for 67 building construction approval applications in 2019. | Building Approval will provide in future when the applicants will rectify the incomplete. | Action should be taken to issue the building construction approval by the Sabha in the due period as per the Pradeshiya Sabha Act. |

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 36 human resources had been delayed.	Action has been taken to disclose in the above vacancies.	Appropriate action should be taken to fill the vacancies by the Sabha in the due period.

3.4 Operating Inefficiencies

Audit Observation	Comment of the Accounting Officer	Recommendation
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(a) Lease of Rs. 300,000 for meat stall which was given on the basis of lease in the year 2016 had not been recovered from the lessee for 03 years and a Case was being held in this regard. However, this matter had not been disclosed in the financial statements.	Action has been taken to disclose in the next financial year.	Contingent liability should be disclosed relevant expected liability in the financial statement.
(b) A Case had been filed in respect of unauthorized boundary wall constructed. However, this matter had not been disclosed in the financial statements.	Action has been taken to disclose in the next financial year.	Contingent liability should be disclosed relevant expected liability in the financial statement.

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| (c) | There was a court case against Sabha about Ulavukkulam Pillaiyar Kovil Road. However, This matter had not been disclosed in the financial statement. | Action has been taken to disclose in the next financial year. | Contingent liability should be disclosed relevant expected liability in the financial statement. |
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3.5 Assets Management

3.5.1 Assets not acquired

Audit Observation	Comment of the Accounting Officer	Recommendation
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No action has been taken to transfer the ownership of the 05 vehicles to the Sabha.	Have not been registered 05 vehicles until now.	Appropriate action should be taken by the Sabha to transfer the ownership of vehicles.

4 Procurement

4.1 Procurement Plan

Audit Observation	Comment of the Accounting Officer	Recommendation
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Service procurement plan has not been prepared accordance with procurement guideline 4.2.	Not replied.	Appropriate action should be taken to prepare procurement plan as per the approved format.

5 Accountability and Good Governance

5.1 Budgetary Control

Audit Observation	Comment of the Accounting Officer	Recommendation
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Expenditure budget was inefficient due to different between budgetary expenditure and actual expenditures.	The expenses was limited from the income received was a grate different between the budget and actual due to stamp duties and court fine should be included in the next financial year.	Appropriate action should be taken to plan in the budget in proper system.