

Velanai 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 27 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 30 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 Velanai 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.	Has been prepared based on the Winkiramanayakka Nayakka accounting policies, accrual basics and local authorities accounting policies.	Accounting policies should be disclosed in the financial statements.

(b) Accounting Deficiencies

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
(i) Weekly market constructed at a cost of Rs. 885,000 had not been included in the financial statements, thus value of the land and buildings had been understated in the financial statements.	Will be included in the Financial statement in 2020.	Should be included in the financial statements

- (ii) Values of 15 cemeteries belonging to the Sabha had not been assessed and included in the financial statements for the last 1 to 6 years, thus values of the land and building had been understated in the financial statements. Will be included in the value of assets and after receive of cemeteries. Should be included in the financial statements

(c) **Lack of Evidences**

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
In the audit could not able to satisfied certification due to fixed deposit certificate values at Rs.440,478 had not been presented to auditing.	Government agent stated they don't have the certificate.	Action should be taken to certify

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) National Audit Act No. 19 of 2018 Sub section 16(2)	An annual performance report had not been presented along with the financial statements.	Final report will be attached in 2020.	Action should be taken in terms of Act.
(b) Pradeshiya Sabhas (Financial and Administrative) Rule of the year 1988 Section 32 of Chapter III	A register in respect of assessment of rates and taxes had not been maintained and rates and taxes had not been recovered.	Action has been taken to publish in the Gazette.	Actions should be taken in term of Rules.

(c) Ministry of Public Administration and Management Circular

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| (i) | 30/2016 of 29 December 2016 | Fuel consumption had not been tested for 10 vehicles | Will be tested as soon as possible. | Action should be taken in terms of Circular. |
| (ii) | 05/2018(1) of 24 January 2018 | Public Service List had not prepared and displayed. | Action will be taken to rearrange. | Action should be taken in terms of Circular. |
| (iii) | 02/2018 (1) of 24 January 2018 | A human resource plan for conducting capacity building programs has not been prepared and could not be ensured that the staff training for at least 12 hours per year. | A senior officer could not be appointed to conducting the capacity building programs due to lack of human resource. | Action should be taken in terms of Circular. |

(e) Other Circular

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| Local Government Services receiving circular No. 2018/e Local Government 01 dated 19.07.2018 | 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. |
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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.

Land sales tax will be recovered after fulfillment of action of assessment tax.

Action should be taken in term of 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. 11,987,138 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs.8,294,873.

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	2,481,100	3,054,857	-	446,800	3,162,733	-
Rentals	1,362,900	1,483,880	220,150	1,557,000	1,772,281	23,250
License Fees	567,600	959,735	-	420,300	726,906	-
Other Revenue	49,147,500	46,029,379	2,852,925	50,637,770	41,449,160	8,525,189
	53,559,100	51,527,851	3,073,075	53,061,870	47,111,080	8,548,439

2.2.2 Rentals

Audit Observation

Comment of the Accounting Officer

Recommendation

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| (a) | No Action had been taken to recover the arrears of shops rents totaling Rs. 20,950. | Action had been taken to recover. | Appropriate action should be taken to recover. |
| (b) | No Action had been taken to recover the arrears of Lease totaling Rs. 158,750 | Action had been taken to recover. | Appropriate action should be taken to fully recover the shops rents. |

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) 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 plan has been prepared in 2020.	Appropriate action should be taken as per the by- law.

(b) Delays in Performance of Project

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
When 04 Project contract has been made and in mention activities had not been started.	Works will be completed with in two weeks.	Appropriate action should be taken to absolute activities.

(c) Solid Waste Management

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
Expense of Rs. 80,280 had been incurred in the year under review in respect of solid waste management. However, no revenue had been received.	Action has been taken to increase the revenues and decrease the expenditures.	Action should be taken in term of Solid Waste Management.

3.2 Management inefficiencies

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
(a) Reports to be prepared by the Local Government Assistant had not been prepared in due periods, thus main functions of the Pradeshiya Sabha had not been completed.	Action has been taken to preparing reports.	Actions should be taken to prepare and submit reports in the periods.

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| (b) | A citizen charter of the General Public had been displayed. However, contrary to matters mention therein, services provided to general public had been delayed. | Effort has been taken to doing the service without delay. | Action should be taken to provide the relevant services in the period. |
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3.3 Human Resources Management

Audit Observation	Comment of the Accounting Officer	Recommendation
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(a) 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 15 human resources had been delayed.	Action will be taken to fill the vacancies in the relevant period.	Appropriate action should be taken to fill the vacancies.
(b) Distress loan of Rs. 35,295 to be recovered from the officer who had resigned the post himself had not been recovered.	Will be fully recovered after receiving the pension.	Action should be taken to recover the loan in appropriate period.

3.4 Operating Inefficiencies

Audit Observation	Comment of the Accounting Officer	Recommendation
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Data in respect of recovering rates and taxes for 6,183 properties had been collected at 05 sub offices.	Action will be taken to identify the areas.	Appropriate actions should be taken to recover the rates and taxes in the period.

3.5 Assets Management

3.5.1 Assets not acquired

Audit Observation	Comment of the Accounting Officer	Recommendation
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No action had been taken to transfer ownerships of 14 vehicles.	Action has been taken to transfer ownership.	Action should be taken to transfer ownership of the vehicles.

3.5.2 Idle Assets

Audit Observation	Comment of the Accounting Officer	Recommendation
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Variety of equipment had been purchased for conducting fitness center. However, they had remained idle for over two year.	Action will be taken to function.	Appropriate actions should be taken to utilize the machinery.

3.5.3 Annual Board of Survey

Audit Observation	Comment of the Accounting Officer	Recommendation
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(a) Tractor, bowsers and tractor boxes were in damage and also the number plates were not fitted.	Two Tractors boxes were given to repair in the workstations. And Request the approval from Board to destroy the damage.	Appropriate action should be taken.
(b) The boats, engines, floats and related equipment provided for tourism development were found to be unused and unmaintained.	The specified machines will be used after handover the tourist center work of completion.	Appropriate action should be taken to use.
(c) No.of 49 books in 04 sub-offices were not submitted for observation of board of survey year under review.	Action should be taken to recover from employees.	Appropriate action should be taken to losses and damages.

3.6 Procurement

Audit Observation	Comment of the Accounting Officer	Recommendation
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Procurement Plan had not been prepared for the activities of suppliers and services.	Capital works procurement plan had been prepared.	Action should be taken for preparing plans.

4 Accountability and Good Governance

Budgetary Control

Audit Observation

**Comment of the
Accounting Officer**

Recommendation

Expenditure budget was inefficient due to different between budgetary expenditure and actual expenditures.

Expenditure was made due to the prepared deficit budget.

Budget should be prepared proper system.