

**Velanai Pradeshiya Sabha  
Jaffna District**

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**1. Financial Statements**

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**1.1 Presentation of Financial Statements**

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The financial statements for the year 2018 had been presented to Audit on 25 March 2019 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 2019 and 31 October 2019 respectively.

**1.2 Qualified Opinion**

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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 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Basis for Qualified Opinion**

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**(a) Accounting Policies**

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
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Accounting policies adopted in preparing the financial statements had not been disclosed by the Sabha in the financial statements.	Accounting policies should be disclosed in the financial statements.	Accounting policies will be disclosed in the financial statements in current year.

**(b) Accounting Deficiencies**

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<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
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Value of 15 cemeteries constructed by the Sabha had not been assessed and included in the financial statements for the last	Value of the cemeteries should be assessed and included in the financial statements	It is stated that cemeteries had been owned by the Sabha. However, there were no documents to proof it. However, action had been taken to transfer the

01 to 06 years.

ownership of the assets by Divisional Secretary. value will be assessed and included subsequently.

**(c) Lack of evidences for audit**

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An account item valued at Rs. 440,478 could not be satisfactorily vouched or accepted in audit due to non-submission of evidence indicated against it.

<b>Account Item</b>	<b>Value</b>	<b>Evidence not submitted</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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	Rs.			
Fixed deposit	440,478	Fixed deposit certificate	Certificate should be presented for verifying the account balance shown in the financial statements.	A letter had been forwarded to District Secretary in respect of above balance and reply also had been received. It is stated in the letter that this certificate had been owned by them and they don't have the certificate.

**1.4 Non-compliances**

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

<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Non-compliances</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
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(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.	Action should be taken in terms of instructions of said Act.	Performance report had been prepared. However, it had not been attached with the financial statements.
(b) Pradeshiya Sabhas Act No. 15 of the year 1987 Section 126(III) (f)	No actions had been taken by the Revenue inspector in respect of 44 advertisements	Action should be taken in terms of instructions of said	Letters had been forwarded to relevant persons in respect of

	which had not been approved.	Act.	unapproved advertisements.	
(c)	Pradeshia 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 by the Sabha and rates and taxes had not been recovered in the year under review.	Action should be taken in terms of instructions of said Rules.	A letter had been forwarded to publish in the Gazette to determine the areas for recovering rates and taxes.
(d)	Ministry of Public Administration and Management No. 30/2016 of 29 December 2016	Fuel consumption had not been tested for 12 vehicles of the Sabha.	Action should be taken in terms of instruction of said circular.	It had been informed to mechanical engineer.

#### 1.4.2 Noncompliance with Tax Requirements

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Audit Observations	Recommendations	Comments of the Accounting Officer
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In terms of Section 154 of Pradeshia Sabhas Act No. 15 of the year 1987, sales tax equivalent to 1% had not been recovered on sales of certain lands.	Commission should be recovered from advertisement centres and banks and institutions which were being obtained commission through obtaining sales details.	It could not be recovered by us due to non-receiving relevant guidance. However, possible actions will be taken to recover tax.

## 2. Financial Review

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### 2.1 Financial Results

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According to the financial statements presented, the expenditure over recurrent revenue of the Sabha for the year ended 31 December 2018 amounted to Rs. 8,294,873 as compared with the corresponding the expenditure over recurrent revenue of the preceding year amounted to Rs. 9,196,073.

## 2.2 Revenue Administration

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

Information on the estimated revenue, billed revenue, collected revenue and arrears of revenue presented relating to the year under review and the preceding year is given below.

Source of Revenue	2018				2017			
	Estimated Revenue	Billed Revenue ❖	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue ❖	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
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Rates and Taxes	446,800	-	3,162,733	-	663,800	-	970,400	-
Rentals	1,557,000	-	1,772,281	23,250	684,900	-	3,150,962	115,271
License Fees	420,300	-	726,906	-	379,000	-	297,480	-
Other Revenue	50,637,770	-	41,449,160	8,525,189	45,988,590	-	35,912,708	14,186,143
	<b>53,061,870</b>	<b>-</b>	<b>47,111,080</b>	<b>8,548,439</b>	<b>47,716,290</b>	<b>-</b>	<b>40,331,550</b>	<b>14,301,414</b>

❖ Billed revenue had not been presented to audit.

### 2.2.2 Performance in Collection of Revenue

Audit Observations	Recommendations	Comments of the Accounting Officer
Performance of revenue collection for the year 2018 had been increased by Rs. 6,779,530 as compared with the year 2017. However, billed revenue could not be verified.	Billed revenue should be verified.	There was doubt in receiving arrears remained for long periods, thus it could not be billed. It will be billed in current year.

### 2.2.3 License Fees

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
----- License and construction fees totalling Rs. 50,000 for telecommunication towers located under the purview of the Sabha had remained as arrears as at the end of the year under review.	----- Action should be taken to recover arrears of license and construction fees for telecommunication towers.	----- Letters had been forwarded already to recover fees for Hutch tower

### 2.2.4 Stamp Fees

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
----- Stamp fees totalling Rs. 8,525,189 had to be received from the Chief Secretary of the Provincial Council for the year under review as at 31 December 2018.	----- Action should be taken to recover arrears of stamp fees.	----- Above arrears will be received to the Sabha in current year.

## 3. Operating Review

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### 3.1 Performance

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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

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
----- An annual action plan had not been prepared in respect of 30 activities to be implemented by the Sabha.	----- An annual action plan should be prepared in respect of 30 activities as per by-laws.	----- An annual action plan had not been prepared for the year 2018. It had been prepared in the year 2019.

**(b) Failure to achieve expected Outcomes**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comment of the Accounting Officer</b> -----
Expected output had been achieved by spending sum of Rs. 885,000 for constructing weekly market. However, expected outcomes had not been achieved.	Action should be taken to use the weekly market.	Above market had been obtained by no one on lease basis, thus action had been taken to modify the weekly market as shopping complex.

**(c) Delays in executing Activities**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comment of the Accounting Officer</b> -----
Nine activities had been started on the dates which to be started. However, those activities had not been completed up to now.	Action should be taken to complete the activities in due period.	Delays were observed in obtaining approval for huge amount of gravel for road works. At present, works are being carried out with the approval of the Department of Geological.

**(d) Solid Waste Management**  
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<b>Audit Observations</b> -----	<b>Recommendations</b> -----	<b>Comments of the Accounting Officer</b> -----
(i) Expense of Rs. 75,280 had been incurred in the year under review for long term and short term projects carried out by the Sabha in respect of solid waste management. However, no revenue had been received.	Action should be taken to receive revenue.	Charges had not been obtained from the people at Velanai as they are poor in living standard.
(ii) Covered vehicles had not been used for collecting solid wastes and garbage had been collected in open vehicles, thus there were	Action should be taken to use covered vehicles and prevent health issues.	A decision had been taken already to purchase net for trailer of tractor in the Sabha.

health issues to the public when they travel on roads and more garbage had been dumped on the roads by the vehicles.

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| (iii) | Sanitary labourers who were employed in solid waste activities had not been subjected to medical test by the Pradeshiya Sabha from time to time.  | Sanitary labourers should be subjected to medical test from time to time. | Actions will be taken to subject to medical test in current year.  |
| (iv)  | Solid wastes had been collected under the purview of the sub offices, Velanai and Allaipiddy and dumped at the solid waste collection place, Arali. However, they had not been segregated according to the National Policies. | Solid wastes should be segregated according to the National Policies.     | Solid wastes had been collected in less quantity, thus it could not be segregated and staff also was not enough to segregate them, thus segregating activity had not been implemented. |

### 3.2 Management Inefficiencies

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Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
A citizen charter of the general public had been displayed by the Pradeshiya Sabha. However, contrary to matters mentioned therein, services provided to general public had been delayed.	Services should be provided to the general public in due periods.	It is the reason for it that files and letters forwarded to the Public Health Inspector and RDD and RDA had been returned with delays.

### 3.3 Human Resources Management

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Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
(a) The Sabha had not recruited and deployed human resources properly. As a result, works to be	Staff should be appointed in equal manner to approved cadre.	Action is being taken to remove the vacancies.

completed by such 20 human resources had been delayed.

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| (b) | Distress loan of Rs. 35,295 to be recovered from the officer who had resigned the post himself had not been recovered for over 10 years. | Action should be taken to recover arrears of distress loan. | Action had been taken to recover from pension payment of the employee. |
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**3.4 Operating Inefficiencies**  
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Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
(a) Data in respect of recovering rates and taxes for 6,183 properties had been collected at 05 sub offices, Velanai, Pungudutivu, Nainativu, Allaipiddy and Mandaitivu. However, no any actions had been taken to made recoveries.	Actions should be taken to recover rates and taxes.	A letter had been forwarded to publish in the Gazette to determine the areas for recovering rates and taxes.
(b) A sum of Rs. 29,630,320 had been deposited at bank in order to generate interest revenue without being completed many development work schemes in the year under review.	Fixed deposits should be used for intended purposes.	It had been deposited in fixed deposit many years ago. Purpose had not been mentioned therefor.

**3.5 Assets Management**  
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**3.5.1 Failure in carrying out Maintenance and Repairing**  
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Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
Provision of Rs. 665,000 had been made in the sundry creditors account for repairing a pickup vehicle bearing No. NPLG – 8951. However, no repairs had been made up to now.	Action should be taken in respect of said vehicles.	Vehicle had been repaired. Action is being taken to reimburse the expense from the sundry creditors account.



**3.5.2 Assets not acquired**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comment of the Accounting Officer</b> -----
Ownership of 19 vehicles valued at Rs. 15,411,000 had not been transferred to the Sabha.	Action should be taken to transfer ownership of the vehicles.	There was not a registration book for a long period, thus it was a difficult to obtain police report.

**3.5.3 Idle Assets**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comment of the Accounting Officer</b> -----
Variety of equipment had been purchased for conducting fitness center under the purview of the sub office, Nainativu. However, they had remained idle for over one year.	Actions should be taken to conduct fitness center.	It had not been functioned due to lack of relevant trainer. Action will be taken to recruit relevant trainer and operate it.

**3.5.4 Annual Board of Survey**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comment of the Accounting Officer</b> -----
Three books, 111 books and 26 books had not been presented to annual board of survey at sub offices, Pungudu theevu, Nainativu and Allaipiddy respectively.	All invoices recovered should be presented.	Value of books which had not been presented for verification at sub offices had been recovered from the employees.

### 3.6 Procurement

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#### 3.6.1 Procurement Plan

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
<p>-----</p> <p>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.</p>	<p>-----</p> <p>A procurement plan for the activities of supplies and services should be prepared as per an approved format.</p>	<p>-----</p> <p>A procurement plan for the year under review had been prepared. But, it had not been shown erroneously.</p>

### 4. Accountability and Good Governance

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#### 4.1 Budgetary Control

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
<p>-----</p> <p>Variances were incurred between budgeted and actual expenditure such as personnel emoluments, supplying goods and requisites and repair of capital assets, thus It was a deficiency of the budget.</p>	<p>-----</p> <p>Respective actions should be taken to plan the budget properly.</p>	<p>-----</p> <p>Expenses had been incurred over the expenses allocated in the budget, thus expensed had been made by supplementary estimate.</p>