

**Vavunia Southern Sinhala Pradeshiya Sabha**  
**Vavunia District**

-----

**1. Financial Statements**

-----

**1.1 Submission of Financial Statements**

-----

The financial statements for year 2018 were submitted to the audit on 19 March 2019 and the Auditor General's summary report on those financial statements was sent on 26 June 2019 and the detailed management report in also to the chairman on 31 July 2019.

**1.2 Qualified Opinion**

-----

In this report, except for the effects of the matters described in paragraph of the basis for the qualified opinion, the financial statements give a true and fair view of the financial position of the Vavunia Southern Sinhala Pradeshiya Sabha as at 31 December 2018, and of its financial performance for the year then ended in accordance with generally accepted Accounting Principles.

**1.3 Basis for the Qualified Opinion**

-----

**(a) Accounting Policies**

-----

Audit Observation	Recommendation	Comments of Accounting Officer
-----	-----	-----
The financial statements did not disclose the accounting policies adopted by the council in preparing the financial statements.	Accounting policies should be disclosed in the financial statements.	Accounts have been prepared for the year under review on accrual basis.

**(b) Accounting Deficiencies**

-----

Audit Observation	Recommendation	Comments of Accounting Officer
-----	-----	-----
(i) 13 stalls in 150 acres of land and 03 vehicles belonging to the Pradeshiya Sabha have not been	All assets should be accounted.	Action will be taken to assess and account for the required funds.

assessed and  
accounted.

- (ii) Rs. 13,600,696 capital receivables under 03 programs mentioned in Revenue and expenditure account for the year under review also included Rs. 607,392 received from Provincial council for stamp duty arrears in previous years. Only the relevant income for the year should be correctly identified and accounted. Corrections will be made in the future.
- (iii) Although the rental income for the 03 months from October to December is Rs. 456,499 of the cultural center, it had been accounted as Rs. 771,176. Accounts should be corrected. Corrections will be made in the future.
- (iv) Rs.185,000 fixed deposit interest for the year under review had not been accounted. All revenues for the year under review should be recognized and accounted. The fixed deposit of 2020 will be matured and it will be disclosed in that year.

**(c) Receivable and Payable Accounts**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of Accounting Officer</b>
(i) The outstanding stamp duty fee as at 31 December 2018 was Rs. 974,750 and that amount included Rs. 694,750 in respect of the period from 01 to 03 years.	Action should be taken to recover the balance due.	Informed in writing to collect all the arrears of income. It will be charged in future.
(ii) The outstanding vehicle rental income due on 31 December 2018 was Rs. 385,570 and Rs. 257,022 of which was in arrears from 01 to 07 years.	Action should be taken to recover the balance due immediately.	Action is being taken to make the deficit balances and by now the necessary awareness had been made in writing. It will be charged in future.
(iii) The advance payment of Rs. 15,000 as at 31 December 2018 had been in arrears for more than 02 years.	Action should be taken to collect the receivable balances.	The Divisional Secretary had been informed in writing and will be charged in future.

**(d) Lack of written evidences required for audit**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of Accounting Officer</b>
Due to the absence of relevant evidences, in the audit it was not possible to satisfactorily observe 04 accounting subjects of Rs. 97,993,493.	Should be submitted proofs of account balances shown in the financial statements.	After assessing and measuring the value of land and buildings, action will be taken to acquire the ownership. Items purchased for development projects have been distributed among the beneficiaries by members of the council. Presenting the photos taken during the distribution. Action will be taken to submit the track records.

**1.4 Non- Compliances**

**1.4.1 Non- compliances with rules and regulations and management decisions**

<b>References to rules and regulations and management decisions</b>	<b>Non-compliances</b>	<b>Recommendation</b>	<b>Comments of Accounting Officer</b>
(a) Pradeshiya Sabha Act No. 15 of 1987 - Article 127	The council has not acted as the competent authority for the purposes of section 3 of the cemetery and cemetery ordinance.	Should be complied with the provisions of the ordinance.	Necessary arrangements will be made in future.

(b) Pradeshiya  
Sabha act of  
1988  
(Financial and  
Administration

- |                      |  |  |   |
|----------------------|--|--|---|
| <p>Code of rules</p> | <p>At the beginning of each year, not conducted about industries.</p>                                      | <p>As the rules, the relevant survey lists should be prepared accurately and in a timely manner.</p>           | <p>90 percent of revenues have been collected, but no relevant survey lists have been compiled. Necessary arrangements will be made to collect taxes in future.</p> |
| <p>- 59 Rule</p>     | <p>Action had not been taken to identify the undeveloped lands within the council area and levy a tax.</p> | <p>According to the rules, action should be taken to collect the relevant taxes.</p>                           | <p></p>   |
| <p>- 68 Rule</p>     | <p>Bail deposits have not been obtained from the officers holding the posts of bail.</p>                   | <p>Arrangements should be made to collect the bail deposits from the relevant officers according to rules.</p> | <p>Steps will be taken necessary actions in regard this.</p>  |
| <p>- 180 Rule</p>    | <p>After the record of the meeting were confirmed, a copy was not submitted for audit.</p>                 | <p>The council should be acted accordance with rules.</p>  | <p>Steps will be taken to submit monthly copies of the coming months in year 2019.</p>  |
| <p>- 191 Rule</p>    | <p>The list of all past deposits had not been submitted to the Auditor General</p>                         | <p></p>  | <p></p>   |

at the end of each semester Action should be taken as per financial regulations. It will be submitted in future according to financial regulations.

(c) Code of Financial Regulation of the Democratic Socialist Republic of Sri Lanka

- Financial Regulation 570

## 2. Financial Review

### 2.1 Financial Result

According to the presented financial statements, for the year ended 31 December 2018, the revenue beyond the recurrent expenditure was Rs. 4,544,628 and according to that, the revenue beyond the recurrent expenditure of the previous year was Rs. 4,296,770.

### 2.2 Revenue Administration

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

Details about estimated income, billed income, collected income and arrears of income for the year under review and the previous year are mentioned below.

	2018				2017			
	<u>Estimated income</u>	<u>Billed income</u>	<u>Collected income</u>	<u>Arrears as at 31 December</u>	<u>Estimated income</u>	<u>Billed income</u>	<u>Collected income</u>	<u>Total arrears as at 31 December</u>
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
(i) Assessments and taxes				-				
(ii) Rent	-	-	-	-	-	-	-	-
(iii) License fee				187,197				
(iv) Other Income								
Total	1,500,000	1,420,875	1,420,875	-	1,606,000	910,510	910,510	781,560
	1,610,000	1,149,200	1,149,200	2,820,619	1,090,000	1,357,423	1,357,423	-

4,176,000	5,927,759	5,927,759		3,738,000	5,603,452	5,603,452	2,963,562
<u>7,286,000</u>	<u>8,497,834</u>	<u>8,497,834</u>	<u>3,007,816</u>	<u>6,434,000</u>	<u>7,871,385</u>	<u>7,871,385</u>	<u>3,745,122</u>

## 2.2.2 Performance of the Revenue Collection

<b>Audit Observations</b>	<b>Recommendation</b>	<b>Comments of Accounting Officer</b>
(a) Trade license revenues were 125 percent of the estimated revenue in last year, but fell to 71 percent of the estimated revenue in the year under review.	Management must work to keep revenue growth going.	Revenue was reducing due to the Governor of the Northern Province has reduced the Coal Trade License Fee up to Rs.3,000
(b) Other revenue collection for the year under review was 142 percent of the estimated revenue and it was 8 percent decrease compared to the previous year.	Management should work to keep revenue growth going.	Decrease in the revenue has been attributed to the loss of revenue of the Bogaswewa area located in Vavunia Southern Pradeshiya Sabha area due to that area was subjected to the Northern Pradeshiya Sabha area.

## 2.2.3 License Fee

<b>Audit Observations</b>	<b>Recommendation</b>	<b>Comments of Accounting Officer</b>
(a) Although, Sri Lanka Telecom (SLT) had established a telephone tower in the Mamaduwa area of the Pradeshiya Sabha on 20 June 2006, there was no action has been taken	Action should be taken to recover the establishment fee properly.	Legal Division of the Sri Lanka Telecom (SLT) has refused to pay the establishment fee because that land is owned by the Sri Lanka Telecom.

to recover the establishment fee of Rs. 210,000.

(b) The registration fee of the three-wheeler park in the Orattaperiyakulam area belonging to the pradeshiya sabha has not been recovered.

Action should be taken to collect the relevant registration fees.

Due to the non-availability and not permanently establishment of three-wheeler parks in the area registration fees cannot be charged.

#### 2.2.4 Court fines and Stamp Duty fees

Audit Observation	Recommendation	Comments of Accounting Officer
There was no action taken to recover the court fines of Rs. 3,013,874 owed by the Northern Provincial Council on 31 December 2018 and Rs. 994,750 of stamp duty fees.	Action should be taken to recover the receivables from time to time and immediately.	Action will be taken to charge timely.

### 3. Operational Review

#### 3.1 Performance

The following are the observations made by the Council on the fulfillment of the functions of the Council for the Regulation and Control of Public Health, Public Utilities and Public Roads under Section 3 of the Pradeshiya Sabha Act.

##### (a) By-laws

Audit Observation	Recommendation	Comments of Accounting Officer
Under Section 126 of the Pradeshiya Sabha Act, by-laws were to be enacted to fulfill 30 main factors but, no	Action should be taken to enact by-laws for appropriate purposes.	Future work will be carried out accordingly.



necessary steps had been taken.

**(b) Action Plan**

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of Accounting Officer</b> -----
There was not prepared an action plan for the implementation of 03 projects that allocated funds of Rs. 1,294,866 from the Pradeshiya Sabha fund in the year under review.	Action plan should be prepared for the projects.	Action plan will be prepared in future.

**(c) Not achieving the desired output level**

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of Accounting Officer</b> -----
Although Rs. 300,000 allocated from the provisions of Pradeshiya Sabha for the Periyaukkulama road which had been renovated should be completed on 31 December 2018, Physical progress on that day was at 50 percent.	Management should work efficiently to achieve the desired output levels.	The contract work will be completed as soon as possible and action will be taken to report the progress.

**(d) Solid Waste Management**

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of Accounting Officer</b> -----
No suitable arrangement for solid waste collection, segregation and recycling within the council area has been devised.	Management should focus on solid waste management.	Necessary action will be taken in respect of solid waste management.

### 3.2 Management Inefficiencies

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of Accounting Officer</b> -----
(a) Balance of Rs. 4,649,426 Current account of Bank of Ceylon owned by Pradeshiya Sabha in the year under review, the management had not taken any part of the surplus cash balance to be an effective means of investment.	Management needs to focus on the effective allocation of funds.	There was no comment
(b) The council had 30 vehicles and machineries but, only one driver was attached to it.	An appropriate program should be planned and implemented for the efficient and effective use of vehicles and machineries.	Necessary arrangements are being made to fill the existing vacancies.

### 3.3 Human Resource Management

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of Accounting Officer</b> -----
11 vacancies in the pradeshiya sabha have not been filled.	Action should be taken to fill the vacancies existing in the posts.	The Commissioner of Local Government has been informed in this regard and requested to fill the vacancies.

### 3.4 Operating Inefficiencies

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of Accounting Officer</b> -----
In terms of Section 134 (1) of the Pradeshiya Sabha Act	Should be act according to the terms of Section 134 (1) of	The currently developed areas are not identified. Taxes will be

No.15 of 1987, the Pradeshiya Sabha had not published improved areas, declared and charged the assessment tax.	the Act.	charged if identified.
--	----------	------------------------

### 3.5 Assets Management

#### 3.5.1 Non maintenance and Repairs

Audit Observation	Recommendation	Comments of Accounting Officer
04 vehicles which had been removed were not repaired and used.	Action should be taken to repair the vehicles and use them effectively.	These vehicles will be repaired and used in the future.

#### 3.5.2 Assets that have not been transferred

Audit Observation	Recommendation	Comments of Accounting Officer
As at 26 April 2019, no action had been taken to clear the 150 acres land with 68 lots and take over the ownership of 28 vehicles.	Action should be taken to get the clear ownership of the assets to the council.	Action will be taken to acquire the rights in future.

#### 3.5.3 Inactive / Underutilized Assets

Audit Observations	Recommendation	Comments of Accounting Officer
Ten vehicles belonging to the Pradeshiya Sabha have been inactive for a period of nine months to seven years.	The assets need to be kept intact and used efficiently and effectively.	It will be repaired and used for the purpose of gain income.

In the year 2013, two weekly fairs which had been constructed at a cost of Rs. 2,298,816 were not used till 26 April 2019.

Action should be taken to use the assets efficiently and effectively.

These two markets remain idle as no buyer requests them.

### 3.5.4 Vehicle Utilization

#### Audit Observation

#### Recommendation

#### Comments of Accounting Officer

(a) Paragraph 3.1 of the Public Administration Circular No. 30/2016 dated 29 December 2016 did not carry out fuel inspections on 24 vehicles belonging to the Sabha.

Fuel inspections of vehicles should be carried out.

Necessary arrangements will be made as per the circular.

Action will be taken to apply the State Emblem.

(b) The State Emblem is not used for the cabs belonging to the Sabha bearing No. WPLG 8964 and WPPF 3326

Action should be taken to apply the government logo to all government vehicles as per the circular.

### 3.6 Procurement

#### 3.6.1. Procurement Plan

#### Audit Observation

#### Recommendation

#### Comments of Accounting Officer

During the year under review Rs. 912,683 had been procured but no procurement plan had been prepared.

A procurement plan has to be prepared and procurement should be proceeding accordingly.

Action to be taken in the future.

### 3.6.2. Supplies and Services

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of Accounting Officer</b>
According to the Procurement Guidelines Code, 2006 2.14.1 paragraph, it was purchased on 04 occasions in accordance with the market price analysis system amounting to Rs. 1,360,760 worth of goods were not called from the registered suppliers.	When calling purchases according to the market price analysis system, quotations should be taken from registered suppliers.	Currently the council does not have any registered suppliers and suppliers will be registered in 2020 and procurements will be made accordingly.

## 4. Accountability and Good Governance

### 4.1 Internal Audit

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of Accounting Officer</b>
An internal audit plan had not been prepared and internalized.	Internal audit plans should be prepared in a timely manner.	Action will be taken to prepare internal audit plans in future.