

**Vavuniya South Tamil Pradeshiya Sabha**  
**Vavuniya 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 27 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 Vavuniya South Tamil 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) Presentation of Financial Statements**

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**Audit Observation**

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**Recommendation**

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**Comment of the  
Accounting Officer**

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As per Sub section 16(2) of the National Audit Act No. 19 of 2018, an annual performance report had not been presented along with the financial statements.

It should be adhered to the instructions of the National Audit Act.

Not replied.

**(b) Accounting Policies**

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**Audit Observation**

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**Recommendation**

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**Comment of the  
Accounting Officer**

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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 should be disclosed in the financial statements.

Accounting policies to be adopted in preparing and submitting the financial statements of the Sabha will be disclosed and rectified in ensuing year.

(c) **Accounting Deficiencies**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comment of the Accounting Officer</b> -----
(i) Five assets of the Sabha had not been made available physically. However, they had been included in the value of the assets as at the end of the year, thus value of the assets as at 31 December 2018 had been overstated by Rs. 1,794,960.	Goods which were available physically only should be shown in the financial statements.	It was informed to Commissioner of Local Government through Regional Assistant Commissioner of Local Government to write off 05 such assets by letter. However, approval had not been obtained up to the date of this report.
(ii) Curtains valued at Rs. 278,265 purchased in the year under review had not been brought to financial statements of the year under review, thus assets had been understated.	All fixed assets should be shown in the financial statements.	It was considered that the useful life of the curtain was short, thus such value had not been included in the assets account.
(iii) Speaker set valued at Rs. 174,155 purchased in the year under review had been brought to financial statements as Rs. 170,905, thus assets had been understated.	Values of the assets should be included totally in the financial statements.	Value of the speaker set was Rs. 174,155. However, values of connection wires out of that set was Rs. 3,250, thus after deducted that value, a sum of Rs. 170,905 had been shown in the financial statements.

(d) **Lack of Written Evidences for Audit**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comment of the Accounting Officer</b> -----
Five account items valued at Rs. 175,584,630 could not be satisfactorily vouched or	Certifying evidences of balances should be submitted to audit.	Not replied.

accepted in audit due to non-submission of evidences such as land deeds, fixed assets register and fixed deposit certificate.

## 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	Recommendations	Comments of the Accounting Officer
(a) Pradeshiya Sabhas (Financial and Administrative) Rule of the year 1988 Rule No. 60	A survey in respect of details of enterprises under the purview of the Sabha had not been carried out in the beginning of the year.	Should act in terms of Pradeshiya Sabhas Rule.	A survey in respect of details of enterprises had been carried out in the beginning of the year 2019 and details had been documented.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) Financial Regulation 237	A satisfaction certificate given by the Sabha had not been attached with the payments of Rs. 2,785,720 made by the Sabha in the year under review.	Should act as per financial regulations.	This certificate had not been obtained and attached erroneously. This certificate will be obtained and attached with the payments which will be made in future periods
(ii) Financial Regulation 371(5)	Action had not been taken in respect of 06 advances totalling Rs. 251,554 for the last two years.	Action should be taken in terms of financial regulations.	Action is being taken to write off a sum of Rs. 22,277 from advance account and rectify remaining balance.
(c) Procurement Guideline of the Democratic Socialist Republic of Sri Lanka			

Section 178(3)	A register including names of community based organizations and community centers which carry out contract works effectively had not been prepared.	Should act in terms of Procurement Guidelines.	Not replied.
(d) Public Administration Circular No. 30/2016 of 29 December 2016	Fuel consumption had not been tested for 19 vehicles of the Sabha in the year under review.	Should act in terms of the circular instructions.	At present, fuel consumption had been tested for vehicles on 05 April 2019.
(e) Asset Management Circular No. 01/2017 of 28 June 2017	Action had not been taken to subject to documentation of all assets of the Sabha.	Should act in terms of the circular instructions.	Separate files had been maintained in respect of land and buildings of the Sabha and related documents attached.

#### 1.4.2 Noncompliance with Tax Requirements

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##### Audit Observations

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Value Added Tax on goods or construction works should be paid to the registered contractors as per Section 5.4.12 of Procurement Guideline of 2006. Details of such payments should be forwarded to the Commissioner General of Inland Revenue with a copy of Auditor General on or before 15<sup>th</sup> day of the following month. Payments of Value Added Tax amounting to Rs. 2,827,629 had not been informed to audit.

##### Recommendations

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Should act as per instructions of Value Added Tax and Procurement Guideline.

##### Comments of the Accounting Officer

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Instruction was given to forward you a copy in future periods.

## 2. Financial Review

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### 2.1 Financial Results

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According to the financial statements presented, the revenue over recurrent expenditure of the Sabha for the year ended 31 December 2018 amounted to Rs. 13,392,468 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 9,252,868.

## 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
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	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	3,500,000	32,749,905	3,499,360	1,883,898	3,500,000	3,295,230	2,379,703	2,140,602
(i) Rentals	3,007,300	3,007,300	23,066,125	10,103	3,161,554	3,161,544	2,929,684	655,740
(ii) License Fees	2,160,000	2,160,000	2,305,730	--	2,240,000	2,240,000	1,868,810	-
(iii) Other Revenue	62,913,716	62,913,716	45,192,887	20,944,685	57,387,292	15,002,000	29,746,385	-
<b>Total</b>	<b>71,581,016</b>	<b>100,830,921</b>	<b>74,064,102</b>	<b>22,838,686</b>	<b>66,288,846</b>	<b>23,698,774</b>	<b>36,924,582</b>	<b>2,796,342</b>

### 2.2.2 Performance in Collection of Revenue

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) Budget estimate had not been prepared properly and estimate had not been planned and programmed in a proper manner, thus variances ranging from Rs. 145,730 to Rs. 7,044,293 between the budgeted revenue and actual revenue were observed in audit.	Budget should be prepared properly.	Not replied.
(b) A sum of Rs. 38,280 was being shown in the financial statements as ayurvedic donation receivable by the Sabha for over the last 29 years. However, reasons therefor had not been made	Actions should be taken to recover arrears of ayurvedic donation.	Not replied.

available to audit properly, thus it could not be satisfactorily vouched or accepted in audit.

### 2.2.3 Rates and Taxes

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Audit Observation	Recommendation	Comment of the Accounting Officer
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No meaningful actions had been taken to recover arrears of rates and taxes totalling Rs. 1,883,898 for the last 01 to 05 years.	Actions should be taken to recover arrears of rates and taxes.	Mobile services had been conducted in order to recover arrears of tax.

### 2.2.4 License Fees

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Audit Observation	Recommendation	Comment of the Accounting Officer
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At audit examination carried out on registers and documents of the Sabha, trade license fees had been received from 1397 institutions. However, trade license had not been issued for 1354 institutions.	Action should be taken to issue trade license to all institutions.	Trade license had not been submitted due to the reasons such as non-submission of received applications again, non-submission of land deeds and approval of the building, even though it was informed to the applicant to rectify the deficiencies pointed out by the Public Health Inspector, corrected application had not been submitted for rechecking.

### 2.2.5 Other Revenue

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Audit Observation	Recommendation	Comment of the Accounting Officer
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No meaningful actions had been taken to recover 12 types of arrears of revenue totalling Rs. 586,193 to be recovered in respect of renting out of	Meaningful actions should be taken to recover arrears of revenue.	Not replied.

J.C.B. motor grader and motor roller belonging to the Sabha for over the last 01 to 06 years.

**2.2.6 Court Fines and Stamp Fees**

**(a) Court Fines**

Audit Observation	Recommendation	Comment of the Accounting Officer
----- Court fines totalling Rs. 6,684,882 had to be received from the Chief Secretary of the Provincial Council and all authorities as at 31 December 2018.	----- Court fines should be recovered in due periods.	----- Action is being taken to recover arrears.

**(b) Stamp Fees**

Audit Observation	Recommendation	Comment of the Accounting Officer
----- Stamp fees totalling Rs. 12,223,010 had to be received from the Chief Secretary of the Provincial Council and all authorities as at 31 December 2018.	----- Stamp fees should be recovered in due periods.	----- Action had been taken to recover stamp fees totally now.

**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) By-Laws**

Audit Observation	Recommendation	Comment of the Accounting Officer
----- By-laws were required to be enacted for 30 main functions in terms of section 126 of the Pradeshiya Sabhas Act. But	----- By-laws should be enacted in respect of 30 main functions in terms of section 126	----- By-laws had been enacted and published in the Gazette for all revenue recovered

by-laws had been enacted for 02 functions even by 31 December 2018. of the Pradeshiya Sabhas Act. under the purview of the Sabha and revenue is being recovered.

**(b) 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 17 activities to be implemented by the Sabha.	An annual action plan should be prepared in respect of activities to be implemented by the Sabha.	Not commented.

**(c) Delays in performance of Activities**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comment of the Accounting Officer</b> -----
There were delays in performance of 09 activities valued at Rs. 26,015,663 carried out by the Sabha	Activities should be completed in due period.	There were delays due to prevailing weather with rainy during the contract period in our area. Intended period had been extended.

**(d) Solid Waste Management**  
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The following deficiencies were observed in respect of solid wastes.

<b>Audit Observations</b> -----	<b>Recommendations</b> -----	<b>Comments of the Accounting Officer</b> -----
(i) Environmental license had not been obtained for the places of disposing garbage.	License should be obtained.	Action will be taken to in this regard.
(ii) Sanitary labourers had not been subjected to medical test annually	Sanitary labourers should be subjected to medical test annually	This procedure will be followed continuously since this year.
(iii) Garbage had not been categorized separately and collected.	Garbage should be categorized and collected.	Garbage will be categorized and subjected to



recycling properly in future periods.

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|-------|---|--|---|
| (iv)  | A work plan for categorizing garbage being brought to the dumping place of garbage of the Sabha had not been implemented. | A work plan for categorizing garbage should be prepared.                               | That mechanism will be established in short period.               |
| (v)   | Training in respect of waste management had not been provided to officers.  | Training in respect of waste management should be provided to officers.                | Action will be taken.   |
| (vi)  | An information and data system required to waste management had not been maintained.                                      | Data and information in respect of waste management should be prepared systematically. | Action will be taken to maintain a data system in future periods. |
| (vii) | Solid wastes had been set on fire in order to damage the environment without being subjected to recycling.                | Solid wastes should be subjected to recycling.   | A substitute scheme will be taken soon.                           |

(e) **Sustainable Development Goals**  
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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
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It was observed that the Sabha had not made any preparedness to achieve sustainable development targets in terms of the Circular No. A.S.General/2018/61 of 23 April 2018.	Action should be taken as per instructions of the circular.	Not replied.

### 3.2 Management Inefficiencies

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<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
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(a) Two photocopy machines valued at Rs. 147,637 issued by the commissioner of Local Government in the year 2006 had not been used up to now.	Action should be taken to use or sell it up to now.	Two photocopy machines could not be used, thus annual board of survey for the year 2018 had recommended them to sell by auction.
(b) A sum of Rs. 92,690 had been spent by the Sabha for printing and supplying “K” form for the year under review. However, 1512 forms had remained at the Sabha without being issued by the officers who issued such forms. No actions had been taken by the responsible officers in this regard.	Action should be taken to issue forms completely.	Action is being taken to pay assessment tax immediately by obtaining forms at office by the owners of the properties.
(c) Payments of Rs. 145,111 in respect of two sundry creditors to be paid in the year 2016 in sundry creditors account had been shown as payable in the accounts continuously without being paid for over two years. No actions had been taken in this regard up to now.	Action should be taken to settle arrears of sundry creditors.	Action is being taken to settle sundry creditors of Rs. 72,750 within the end of this month.
(d) No meaningful actions had been taken to settle a sum of Rs. 34,132,790 payable to 20 creditors even as at 31 December 2018.	Arrears payable to the creditors should be settled.	Payments will be made after receiving Provincial Specific Development Grant fund.

### 3.3 Human Resources Management

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Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
<p>(a) <b>Vacancies of Cadre</b> -----</p> <p>Seven staff vacancies of the Sabha had not been filled as at 31 December 2018.</p>	<p>Action should be taken to fill the vacancies.</p>	<p>Two vacancies for secondary level to be filled by the Deputy Chief Secretary's Secretariat and action had been taken to fill 05 vacancies of nonscheduled posts for the primary level.</p>
<p>(b) <b>Employee Securities</b> -----</p> <p>Three officers had been resigned from the Sabha for a long period. However, action had not been taken to refund a sum of Rs. 12,500 included in the employee security deposits of the Sabha as at 31 December 2018.</p>	<p>Action should be taken to refund security money.</p>	<p>Action is being taken to refund said security deposits in this year.</p>

### 3.4 Operating Inefficiencies

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Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
<p>(a) No meaningful actions had been taken to carry out reassessment of properties under the purview of the Sabha and recover assessment tax on properties for over the last 11 years.</p>	<p>Actions should be taken to carry out reassessment of properties and recover assessment tax on properties.</p>	<p>Not replied.</p>
<p>(b) Two stalls belonging to the Sabha had been rented out up to now since the year 1987. As a result, revenue loss of Rs. 302,400 had been incurred to</p>	<p>Actions should be taken to act as per contract.</p>	<p>It was decided that the contract will be limited for a period of one year in ensuing years and stalls will be rented out</p>

the Sabha. No actions had been taken by the responsible officers in this regard up to now.

by calling tender.

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| (c) | Approval had been granted by the Sabha for 2137 buildings for the period from 2013 to 2018. However, certificate of conformity had been submitted to 123 parties only. Actions had not been taken to issue certificate of conformity 2014 parties up to now. | Actions should be taken to issue certificate of conformity. | Certificate of conformity can be issued in an instance of submitting an application by requesting certificate of conformity. |
| (d) | In terms of Section 49 of Pradeshiya Sabha's Act No. 15 of the year 1987, trade activities were being carried out in two buildings. However, approval of the building had not been obtained under Pradeshiya Sabhas Act.                                     | Should act as per instructions of respective rules.         | Not replied.   |

**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 -----
Action had not been taken to use 02 vehicles of the Sabha up to now.	Actions should be taken to use by repairing them as a usable manner.	Not replied.

**3.5.2 Assets not acquired**  
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Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
(a) Ownership of 61 lands being used by the Sabha had not been transferred to the Sabha	Action should be taken to transfer ownership of the lands to the Sabha.	Not replied.
(b) Twelve vehicles received as a donation had not been owned by the Sabha.	Action should be taken to transfer ownership of the vehicles.	Not replied.

### 3.5.3 Underutilized Assets

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<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
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(a) Constructing a name board at accessing gate of the playground under the work scheme of specific development grant by the Sabha had been completed at a cost of Rs. 577,095 on 09 March 2015. However, Playground had not been owned by the Sabha, thus playground had not been used up to the date of this report and any actions had not been taken to transfer its ownership up to now.	Action should be taken to use.	Actions had been taken to transfer ownership of the playground to the Sabha and use it.
(b) Construction works of pipe water supply system, at Sithamparanagar carried out by the Sabha under the work scheme of development grant of the Ministry of resettlement had been completed at a cost of Rs. 980,390 on 11 November 2018. However, it had not been used up to now.	Action should be taken to use.	Action is being taken to made use by discussing relevant departments.
(c) Construction works of water tank supplying system, Aasikkulam carried out by the Sabha under the work scheme of development grant of the Ministry of resettlement had been completed at a cost of Rs. 1,883,353 on 11 November 2018. However, it had not been used up to now.	Action should be taken to use.	Action is being taken to made use by discussing relevant departments.

### 3.6 Procurement

#### 3.6.1 Procurement Plan

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
(a) Twenty five goods and services valued at Rs. 2,761,920 had been obtained by the Sabha without examining and approving by the Technical Evaluation Committee contrary to the section 2.6.1 of the Government Procurement Guideline.	Should act as per Government Procurement Guideline.	Action had been taken to obtain technical evaluation report for all goods which will be purchased in future periods.
(b) Procurement activities of 15 goods and services totalling Rs. 1,739,752 had been made by the Sabha in the year under review. However, a procurement plan had not been prepared.	A procurement plan should be prepared.	Not replied.

#### 3.6.2 Contract Administration

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
(a) Contrary to the Public Finance Circular No. 01/2012 of 05 January 2012 of Ministry of Finance and Planning, 35 contract works totalling Rs. 22,767,279 had been carried out by the Sabha by entering contacts with the Community Centers in the year under review. The observations in this regard are as follows.		

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|-------|---|--|--|
| (i)   | As per section 3.1 of the circular, a committee including three persons such as head of the Department and two representatives had not examined qualifications stated under Section 3.2.  | Should act as per circular instructions. | when contracts had been awarded to the community centers, a committee including chairman and secretary of the Pradeshiya Sabha, community development officer and technical officer had been appointed to examine qualifications. Contracts had been awarded to the community centers after obtained recommendation of community development officer in respect of ability for entering a contract specifically. |
| (ii)  | Contrary to the section 3.2(iv) of the circular, such contract works had been carried out by other private contractors by awarding sub contract to them without being carried out by the community centers. Commission of 5% only had been received by the community centers. | Should act as per circular instructions. | Relevant actions will be taken in respect of such matter by examining in future periods.   |
| (iii) | Any actions had not been taken by the Sabha to include such community centers which involved in sub contracts in black list up to the date of this report as per section 3.2(iv) of the circular.   | Should act as per circular instructions. | If complaints are received in respect of such matter, relevant actions will be taken by examining in this regard in future periods.  |
| (iv)  | Ten contract works budgeted to be implemented by the Sabha in the year under review had been abandoned completely   | Budgeted works should be carried out.    | It had been abandoned without being carried out due to lack of fund of the Sabha.  |

without being carried out.

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|-----|--|--|---|
| (v) | Budget had been prepared without stating amount of 11 contract works budgeted to be carried out by the Sabha in the year under review when preparing the budget.   | Budget should be prepared by stating amount when preparing it. | Amount of works had been shown in expenditure head. However, amount had not been stated in the details of renovation works erroneously. |
| (b) | Contract works of laying stone and tarring of Velankulam Sinnathampanai road had been budgeted to be implemented by the Sabha in the year under review and a contract had been entered by Aksavi contractors at a cost of Rs. 909,153 on 21 March 2018 under the work scheme of specific development grant. However, such work had been completely abandoned. Any legal action had not been taken by the Sabha against the contractors in this regard. | Should act as per circular instructions.                       | Action is being taken to include such contractor in black list.   |

**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>
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Budget estimate had not been prepared properly and estimate had not been planned and programmed in a proper manner, thus variances ranging from Rs. 2,999 to Rs. 5,414,026 between the budgeted expenditure and actual expenditure were incurred.	Budget estimate should be prepared properly.	Not replied.