

**Alayativembu Pradeshiya Sabha
Ampara 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 Pradeshiya Sabha on 29 May 2020.

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 Alayativembu 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

Accounting Deficiency	Recommendations	Comments of the Accounting Officer
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The value of 11 vehicles totalling Rs. 4,950,000 had not been brought to accounts.	The value of said vehicles should be shown in the financial statements.	The value of the vehicles will be shown as separately in the vehicles under fixed assets after completing valuations.

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. 5,279,209 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 1,566,243.

2.2 Revenue Management

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	2019				2018			
	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.
Rates and Taxes	1,000,000	954,863	1,039,725	140,976	1,000,000	727,030	501,192	225,838
Rentals	4,320,000	4,511,770	4,497,615	620,246	2,500,000	3,100,398	3,018,125	623,591
License Fees	1,075,000	517,085	517,085	16,680	900,000	652,330	652,330	16,680
Other Revenue	14,416,000	12,012,781	10,732,831	5,865,300	14,541,000	9,121,158	4,535,808	4,585,350
	20,811,000	17,996,499	16,787,256	6,643,202	18,941,000	13,600,916	8,707,455	5,451,459

2.2.2 Rent

Audit Observation

Arrears lease of meat stall amounting to Rs. 761,222 for the period from the year 1988 to 2013 had remained without being recovered.

Recommendation

Relevant action should be taken in respect of said arrears amount.

Comment of the Accounting Officer

It had been forwarded to the Commissioner of Local Government for writing off this amount from the ledgers by recommending through Regional Assistant Commissioner of Local Government. Further actions will be taken by the Sabha once approval is obtained therefor.

2.2.3 Trade License Fees

Audit Observation

Theatre and five Notary offices are involved in business activities. However, trade license fees had not been recovered in terms of 150(1) of Pradeshiya Sabha Act.

Recommendation

Action should be taken to recover license fees.

Comment of the Accounting Officer

Action had been taken to recover license fees for theatres in ensuing periods. Further, Registration will be made in respect of Notary Offices and license fees will be recovered annually. In addition, action had been taken to recover arrears for the year 2019 while recovering license fees for the year 2020.

2.2.4 Stamp Fees

Audit Observation	Recommendation	Comment of the Accounting Officer
Action had not been taken to compute and recover stamp duty recovered by Provincial Department of Revenue from transfer of immovable properties for the period from April to December 2019.	Action should be taken to recover stamp duty.	Action will be taken to obtain and forward details in respect of stamp duty to the Provincial Treasury of Eastern Province very quickly.

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 should be prepared and implemented in respect of 20 important matters for revenue and arrangement of the Pradeshiya Sabha in terms of Section 126 of the Pradeshiya Sabhas Act No. 15 of 1987. However, by-laws had not been prepared in respect of 14 matters up to 28 May 2020.	By-laws should be prepared and implemented in terms of Act.	Action will be taken to prepare by-laws to be prepared in respect of revenue and arrangements by the Sabha in ensuing periods and to obtain approval by submitting them in the board.

(b) Action Plan

Audit Observation	Recommendation	Comment of the Accounting Officer
An annual action plan in respect of important matters to be implemented by the Sabha had not been prepared.	An annual action plan should be prepared.	An annual action plan will be prepared by the Sabha and attached with final accounting report in ensuing periods.

(c) **Solid Waste Management**

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
Solid waste disposal center constructed at a cost of Rs.1,253,940 in the year 2016 and 02 machines valued at Rs.1,210,000 purchased in the year 2018 had not been utilized.	Relevant actions should be taken to activate said center again.	When certain people protest continuously, action will be taken to issue natural fertilizer producing machine purchased by the Sabha to relevant Pradeshiya Sabha/ Urban Council/ Municipal Council with the approval of the Sabha.

(d) **Sustainable Development Targets**

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
Every Public Institution should act in compliance with the 2030 Agenda on Sustainable Development adopted by the United Nations according to Sri Lanka Sustainable Development Act No. 19 of 2017. However, action had not been taken by the Sabha to identify and achieve the goals in this regard.	Action should be taken by the Sabha to identify and achieve the goals.	Sustainable development goals will be prepared in ensuing periods as per development scheme prepared including every division with the participation of general public in the year 2019.

3.2 Management Inefficiencies

Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
(a) A sum of Rs. 233,100 had been recovered from 114 residencies for the purpose of reconstructing road which was dug up for obtaining water connection. However, dug up roads had not been reconstructed.	Action should be taken to repair dug up roads.	A decision will be made in this regard in the board and action will be taken by the Sabha very quickly to repair potholes on the road totally once per quarterly or half yearly by making a provision in the budget for said repairing activities.

- (b) A sum of Rs. 1.5 million had been allocated for extension of drinking water supply pipe to 425 meters distance from Alayadivembu Sakaamam road to Panankadu bridge under work scheme of Provincial Specific Grant of the year 2017. Documents had been prepared that this scheme was completed and payment of Rs. 1,498,183 had been made to the National Water Supply and Drainage Board as per proposed estimate on 19 January 2018. However, works in this regard had not been commenced up to 28 May 2020.
- Relevant action should be taken by the Sabha in due period.
- More attention will be paid in this regard and action will be taken by the Sabha to extend the drinking water supply pipes as per paid amount by discussing with National Water Supply and Drainage Board.

3.3 Human Resources Management

Audit Observations	Recommendations	Comments of the Accounting Officer
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(a) According to the cadre list, 04 staff vacancies had not been filled for 04 posts in the year under review.	Action should be taken to fill the vacancies.	Action will be taken to fill the staff vacancies for the posts by discussing with relevant departments about this issue.
(b) Distress loan of Rs. 65,069 outstanding from 04 officers who had deceased since 1991 had been shown without being recovered.	Action should be taken to recover arrears.	If details of sureties in respect of said 04 officers, details of their wife and children and documents are not received, action will be taken to recover and rectify loan amount once gratuity is received for these officers.

3.4 Assets Management

3.4.1 Failure to recording Assets

Audit Observation	Recommendation	Comment of the Accounting Officer
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Total value of the fixed assets had been shown as Rs.199,667,204 in the accounts as at the end of the year under review. However, Movable and	Action should be taken to maintain fixed assets register.	All details and data are being collected by the Sabha for preparing fixed assets register now. Action will be taken to prepare fixed assets register totally in ensuing periods and

immovable assets had not been updated in the fixed assets register.

enter the values of the land and buildings belonging to the Sabha separately in the accounts.

3.4.2 Utilization of Vehicles

Audit Observations	Recommendations	Comments of the Accounting Officer
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(a) Seven vehicles had been parked for over 04 years without being taken action to repair and utilize them.	Action should be taken to repair and reuse the vehicles.	Action will be taken to repair and use the vehicles quickly.
(b) Out of 25 vehicles being used by the Sabha, ownership of 10 vehicles had not been transferred.	Action should be taken to transfer the ownership.	Documents in respect of transfer of ownership of the vehicles belonging to the Sabha had been submitted to the Department of Motor Traffic.