

**Padiyathalawa Pradeshiya Sabha**  
**Ampara District**

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**1. Financial Statements**

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**1.1 Presentation of Financial Statements**

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Financial Statements for the year 2019 had been submitted to audit on 10 March 2020 and the summarized Auditor General's Reports and Detailed Management report relating to that were sent to the Chairman on 29 May 2020.

**1.2 Qualified Opinion**

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In my opinion, except for the effect of the matters described in paragraph of basis for qualified opinion, financial statements give a true and fair view of the financial position of the Padiyathalawa Pradeshiya Sabha as at 31 December 2019 and its financial performance for the year then ended in accordance with the Generally Accepted Accounting Principles.

**1.3 Basis for Qualified Opinion**

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**(a) Accounting Deficiencies**

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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i. The library books of Rs. 54,353 purchased during the year under review had not been capitalized.	All library books must be capitalized.	Action will be taken to correct in preparing the final accounts for 2020.
ii. An additional provision for creditors amounting of Rs. 80,258 was made for 02 industries during the year under review which were funded by the Ministry of Town Planning.	Provisions should be made in the accounts for the correct value.	Accepted.
iii. Provisions had not been made in the accounts for the amount of Rs.654,357 due for the year under review.	Accounts must be prepared correctly.	Action will be taken to correct in preparing the final accounts for 2020.

**(b) Lack of Evidence for Audit**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(i) Evidences had not been presented for 02 assets items of Rs.686,493,878 and 02 liabilities items of Rs.5,667,769.	Evidence confirming the account balance in the financial statements should be submitted.	Has already been prepared.
(ii) Schedules had not been submitted for the lands and buildings amount of Rs.632,440,853, machinery amount of Rs.1,581,500 and furniture and fittings amount of Rs.3,947,182 mentioned in the financial statements.	Schedules should be prepared for fixed assets.	Arrangements will be made to include schedules in the preparation of 2020 Final Accounts

**1.4 Non-Compliance**

**Non-Compliance with Laws, Rules, Regulations and Management Decisions**

<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Non-Compliances</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) Pradeshiya Sabha Act No. 15 of 1987 Section 126	By-laws on solid waste management had not been enacted to cover the cost.	Must act in accordance with the provisions of the Pradeshiya Sabha Act	Accepted. I will take steps to enact by-laws in the future.
(b) 1988 Pradeshiya Sabha (Finance and Administration) Rules and Regulations Rule 217	Lands owned by the Pradeshiya Sabha and used by the Sabha had not been taken over and included in the register of fixed assets.	Must follow the rules of the Pradeshiya Sabha.	Submitted to Batticaloa Valuation Department on 08.08.2019 and will be included after receiving the relevant assessment reports.

- (c) Public Administration Circular No. 30/2016 dated 29 December 2016
- Fuel burning test was not done for 04 vehicles.
- The fuel combustion test should be carried out in accordance with the circular.
- Arrangements have been made to conduct a fuel combustion test in June 2020.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the revenue over recurrent expenditure for the year ended 31 December 2019 amounted to Rs. 3,083,263 when compared with the revenue over recurrent expenditure of the preceding year amounted to Rs. 4,081,847.

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Actual Revenue and Arrears Revenue

Information of estimated revenue, billed revenue, collected revenue and arrears of revenue relating to the year under review and previous year are shown below.

Revenue Source	2019				2018			
	Estimated Revenue	Billed Revenue	Recovered Revenue	Arrears as at 31 December	Estimated Revenue	Billed Revenue	Recovered Revenue	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	231,000	205,500	205,500	0	171,000	198,105	198,105	0
Rental Income	6,892,000	4,960,497	4,541,449	937,488	7,634,574	5,104,426	4,635,486	518,440
License Fee	502,000	430,060	430,060	0	959,000	269,750	269,750	0
Other Revenue	<u>3,247,912</u>	<u>2,339,949</u>	<u>2,186,449</u>	<u>1,129,454</u>	<u>2,826,573</u>	<u>2,508,167</u>	<u>1,568,461</u>	<u>975,954</u>
	<b><u>10,872,912</u></b>	<b><u>7,936,006</u></b>	<b><u>7,363,458</u></b>	<b><u>2,066,942</u></b>	<b><u>11,591,147</u></b>	<b><u>8,080,448</u></b>	<b><u>6,671,802</u></b>	<b><u>1,494,394</u></b>

#### 2.2.2 Courts Fines and Stamp Duty

##### Stamp Duty

Audit Observation	Recommendation	Comments of the Accounting Officer
The stamp duty due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2019 was Rs.787,940.	Arrears of stamp duty should be recovered.	Out of Rs.893,672 stamp duty, Rs.105,732 was received.

### 3. Operational Review

#### 3.1 Performance

Following matters were revealed relating to the functions which should be performed by the Sabha to regulate and administrate public health, public utility services and public roads and luxury, convenience and welfare of the people under section 3 of the Pradeshiya Sabha Act.

##### (a) By-Laws

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
By-laws were to be enacted to fulfill 30 main matters under section 126 of the Pradeshiya Sabha act, but the by-laws had not been enacted by 31 December 2019.	By-laws must be enacted for matters where no by-laws are enacted.	In order to achieve 5 matters, by-laws have been sent to the office of the Divisional Local Government Commissioner for approval.

##### (b) Action Plan

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
The Pradeshiya Sabha had not prepared an action plan for the year under review.	An action plan should be prepared for each year.	Action will be taken to correct in the future.

##### (c) Sustainable Development Goals

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
i. Five road workers who had been recruited on a permanent basis since 1998 and one road worker who had been recruited on a casual basis had been deployed for other duties instead of being assigned to the relevant duties.	Recruited workers should be employed in the duties relevant to the post.	Since our Sabha does not have sufficient income, when recruiting a new employee, his allowances have to be paid on the income of the Sabha, therefore, the employees who have already been recruited on casual basis have been temporarily deployed for other duties without being assigned to the relevant duties.
ii. The Pradeshiya Sabha had not obtained an environmental permit for the landfill site.	An environmental permit must be obtained for the landfill site.	An application has been submitted to the Central Environmental Authority for an environmental permit and recommendations have been submitted after a physical examination.

**(d) Sustainable Development Goals**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
The Pradeshiya Sabha was not aware of the United Nations' Sustainable Development Agenda - 2030".	Awareness of the "Sustainable Development Agenda - 2030" and the goals and objectives should be identified and established.	Staff have been directed to awareness training programs.

**3.2 Management Inefficiencies**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
No action had been taken to assess the three shops that were built and leased in 2017.	Action should be taken to assess the shops.	Requests have been made on three occasions in 2019 to assess the shops but the assessment has not been received yet.

**3.3 Human Resource Management**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
(a) As on 31 December 2019, there were 06 vacancies in 05 approved staff posts	Staff vacancies need to be filled.	Vacancy details will be forwarded to the relevant institutions and no action has been taken to provide employees so far.
(b) No action had been taken to recover the long standing arrears of Rs. 138,274 from the 03 transferred, retired and deceased officers who had served in the Sabha.	Action should be taken to recover unpaid employee loans.	Accepted. Action will be taken in the future.

**3.4 Assets Management**  
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**3.4.1 Assets not Acquired**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
Necessary steps had not been taken to take over the ownership of 07 vehicles used by the Sabha.	The legal ownership of the vehicles must be transferred to the Sabha.	Necessary arrangements are being made to take over 7 vehicles belonging to the Sabha.

**3.4.2 Idled / Under Utilized Assets**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
No action had been taken to earn income from 07 shops owned by the Pradeshiya Sabha.	Action should be taken to earn income by leasing the shops owned by the Sabha.	Not Answered.

**3.5 Procurement**

**Procurement Plan**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
A procurement plan had not been prepared for the year under review.	A procurement plan should be prepared in accordance with the approved budget.	Action will be taken to prepare in the future.