

Puthukkudiyiruppu Pradeshiya Sabha
Mullaitivu District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to Audit on 25 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 Sabha on 13 July 2020 and 05 October 2020 respectively.

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 Puthukkudiyiruppu 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

(a) Accounting Policies

Audit Observation	Recommendation	Comment of the Accounting Officer
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Accounting policies to be adopted in preparing the financial statements of the Sabha and in submitting them to the audit had not been disclosed in the financial statements for the year under review.	Relevant actions should be taken by the Sabha to disclose accounting policies adopted in preparing the financial statements, in the financial statements.	It is kindly informed that action is being taken to prepare in accordance with the accounting policies when preparing the financial statements in ensuing periods.

(b) Significant Accounting Deficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
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(i) The value of 37 categories of office equipment totalling Rs. 1,075,195 had been shown as	Relevant actions should be taken by the Sabha to rectify	Corrections in respect of the value of 37 categories of office equipment

plants and machineries in the financial statements for the year under review, thus the value of the plants and machineries had been overstated by Rs. 1,075,195 in the financial statements whereas the value of the office equipment had been understated.

and show in the financial statements.

totalling Rs. 1,075,195.00 which was included in the plant and machinery will be made when preparing the final accounting reports for the year 2020.

(ii) The value of 29 computers and accessories totalling Rs. 2,178,060 had been shown as plants and machineries in the financial statements for the year under review, thus the value of the plants and machineries had been overstated by Rs. 2,178,060 in the financial statements whereas the value of the computers and accessories had been understated.

Relevant actions should be taken by the Sabha to rectify and show in the financial statements.

It is kindly informed that the value of 29 computers and accessories totalling Rs. 2,178,060.00 will be included under the heading of computer and machineries in the financial statements when preparing the financial statement for the year 2020.

(iii) The value of 19 categories of office equipment totalling Rs. 578,892 had been shown as furniture and fittings in the financial statements for the year under review, thus the value of the furniture and fittings had been overstated by Rs. 578,892 in the financial statements whereas the value of the office equipment had been understated.

Relevant actions should be taken by the Sabha to rectify and show properly in the financial statements.

It is kindly informed that the corrections in respect of the value of 19 categories of office equipment totalling Rs. 578,892 which was included in the furniture and fittings will be made when preparing the final accounting reports for the year 2020.

(iv) A difference of Rs. 75,100 was observed between the total value of the office and field equipment and schedule of balances.

Relevant actions should be taken by the Sabha to rectify and show properly in the financial statements.

It is kindly informed that the corrections in respect of the value of the office and field equipment totalling Rs. 75,100 which had been understated in the financial statements for the year under review will be made when preparing the final accounting reports for the year 2020.

(c) **Lack of Evidences for Audit**

Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
Balances of land and buildings, wells, revenue debtors and sundry creditors totalling Rs. 192.6 million could not be satisfactorily vouched or accepted in audit due to non-submission of land deeds, land survey maps, valuation certificates, historical cost sheets, work files and balance confirmations.	Meaningful actions should be taken by the Sabha to obtain and file above mentioned written documents properly.	It is kindly informed that action had been taken to carry out efficient management activities and it is kindly further informed that all necessary documents for audit will be submitted you in ensuing periods.

1.4 Non-compliances

1.4.1 Non-compliances with Rules and Regulations

Reference to Rules and Regulations -----	Non-compliances -----	Recommendations -----	Comments of the Accounting Officer -----
(a) Pradeshiya Sabhas (Financial and Administrative) Rule of the year 1988			
(i) Section 33 of Chapter III	Relevant actions had not been taken by the Sabha to carry out a survey in respect of assessment tax.	Relevant actions should be taken by the Sabha to carry out a survey in respect of assessment tax in due periods	After assessing values by the Department of Valuation, continuous actions will be taken.
(ii) Section 140 of Chapter V	It was observed that six advances paid to a Multi-Purpose Cooperative Society totalling Rs. 274,367 had not been settled	it should be avoided to pay an advance when contract works are not completed.	All advances had been rectified in the final financial statements during the year 2019.

for the last 09 years and the Sabha had failed to rectify it up to date.

(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

(i) Financial Regulation 155

It was observed that delays for the period from 01 to 03 months were incurred in nine instances without taking action to give replies for audit queries immediately.

Meaningful actions should be taken by the Sabha to send the replies for audit queries quickly as per necessity.

Actions had been taken a to send the replies for the audit queries immediately in ensuing periods.

(ii) Financial Regulation 571

Lapsed deposits such as 36 tender deposits, 40 retention money deposits and 35 miscellaneous deposits totalling Rs. 6,903,703 had been retained in the deposit account for a period from 01 to 07 years without being taken meaningful actions in this regard.

Meaningful actions should be taken by the Sabha in due periods.

Action will be taken to refund soon.

(c) Public Administration Circular

No. 30/2016 of 29 December 2016

Fuel consumption had not been tested for 14 vehicles of the Sabha for two years.

Actions should be taken by the Sabha to test fuel consumption of the vehicles in proper time periods

Action had been taken to test the fuel consumption by stage by stage.

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. 50,893,639 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 40,570,244.

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	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.
(i) Rates and Taxes	202,000	2,400	2,400	-	216,000	223,700	223,700	-
(ii) Rentals	18,104,000	18,238,703	17,158,514	1,080,189	17,349,000	17,788,141	17,337,131	615,797
(iii) License Fees	4,186,000	10,138,634	10,138,634	-	12,530,000	6,805,052	6,805,052	-
(iv) Other Revenue	29,322,000	42,787,767	17,574,962	44,015,767		32,726,896	10,591,236	38,152,548
Total	51,814,000	71,167,504	44,874,510	45,095,956	47,539,000	57,543,789	34,957,119	38,768,345

2.2.2 Performance in Collection of Revenue

The budget estimate had not been prepared properly and estimate had not been planned and programmed properly. As a result, variance between the budgeted revenue and actual revenue was incurred.

Audit Observations	Recommendations	Comments of the Accounting Officer
(i) Eight stalls on the basis of ground rental consisting 05 stalls on the basis of ground rental situated at Puthukkudiyiruppu public market and 03 stalls on the basis of ground rental situated at Visuvamadu public market had been closed for the period from 01 January 2018 to December 2019. I was decided in this regard that stalls will not be given on the basis of ground rental in ensuing periods as per Decision No. 56 of 12 April 2018 and Decision No. 76 of 03 May 2018. As a result, it was observed that revenue loss totalling Rs. 228,000 was incurred.	Meaningful actions should be taken by the Sabha to subject to tendering these properties in due periods and implement by an annual action plan and recover revenue in due periods from them.	New beneficiaries had been selected and rented out 05 stalls situated at Puthukkudiyiruppu public market on the basis of ground rental and out of 03 stalls on ground rent situated at Visuvamadu public market, 01 stall had been rented out to the same person who was entered a contract previously. Action had been taken to rent out balance 02 stalls to new beneficiaries by withdrawing them.

- (ii) It was observed that 05 food stalls functioning at market complexes, Puthukkudiyiruppu, Visuvamadu and Udaiyarkaddu had remained in an unqualified position to get trade license for over 03 years. But a temporary trade license had been issued by the Sabha and trade is being carried out.
- Meaningful actions should be taken by the Sabha to subject to tendering these properties in due periods and implement by an annual action plan.
- A temporary license is being issued and recovered ground rent due to lack of spaces for relevant stalls. Trade license will be given once permanent stalls are constructed.

2.2.3 Rent

Audit Observation	Recommendation	Comment of the Accounting Officer
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No meaningful actions had been taken by the Sabha to recover arrears of rents and leases totalling Rs. 1,080,189 shown in the revenue debtors account for the period from the last 01 to 03 years.	Meaningful actions should be taken by the Secretary of the Sabha to recover such revenue and arrears thereon.	Sums of Rs. 1,080,189.00 and Rs. 396,581.00 had been collected. Action is being taken to recover the balance quickly.

2.2.4 License Fees

Audit Observation	Recommendation	Comment of the Accounting Officer
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Four hundred and eleven trade centers functions under the purview of the sub offices of the Sabha at Olumadu and Puthukkudiyiruppu with temporary trade license during the year under review without being obtained permanent trade license. Any meaningful actions had not been taken by the Sabha to issue permanent trade license for the last two years.	Meaningful actions should be taken by the Sabha to recover trade license and trade tax in due periods.	Permanent trade license is being issued since this year. Action had been taken to issue only permanent trade license in ensuing periods.

2.2.5 Court Fines and Stamp Fees

Audit Observation	Recommendation	Comment of the Accounting Officer
Court fines and stamp fees totalling Rs. 40,152,657 and Rs. 3,863,110 respectively had to be received from the Chief Secretary of the Provincial Council and all authorities as at 31 December 2019.	Actions should be taken by the Sabha in an effective and timely manner to obtain receivable amount from the Chief Secretary, Northern Province within the due periods.	At present, out of court fines of Rs. 40,152,657, a sum of Rs. 38,183,739 had been received. A request letter had been forwarded by us to the Provincial Treasury to obtain arrears of revenue.

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) Delays in executing Project

Audit Observation	Recommendation	Comment of the Accounting Officer
Six road reconstruction and rehabilitation works valued at Rs. 14.16 million to be completed by the funds of the Sabha and Provincial Specific Development Grant in the year under review had not been completed by 06 contractors for the period from the last 07 to 10 months.	Meaningful actions should be taken by the Sabha to complete such projects within due periods.	Said works could not be completed in within due periods due to issues (gravel) incurred in obtaining materials for road works which were given in the year under review and natural climate changing (rain). However, such works had been completed now.

(b) Failure to achieve expected output

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
Expected output level had not been achieved from a building constructed for recycling process of solid wastes valued at Rs. 2.11 million by the fund of Provincial Specific Development Grant in the month of October of the year under review and it had remained as idle up to now without any utilization.	Meaningful actions should be taken by the Sabha speedily to obtain expected outcome for the value of money which was utilized on such projects.	Actions are being taken to implement such work through other scheme. Action had been taken to segregate and subject to recycling the solid wastes once works are finished.

(c) Solid Waste Management

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
The activities of burning and burying had only been made by the Sabha in respect of disposing garbage under the purview of the Sabha. Nevertheless, no meaningful actions had been taken by the Sabha in respect of implementing solid waste management including compost and recycling projects for the last five years.	Meaningful actions should be taken by the Sabha to implement solid waste management including compost and recycling projects.	Works in respect of establishing a compost yard are being carried out for solid waste management in the year 2019 and waste tanks with different colours had been purchased and kept in public places for segregating and collecting wastes.

(d) Sustainable Development Goals

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
In order to achieve Sustainable Development Goals by 2030, no meaningful actions had been taken by the Sabha to establish targets to be achieved and gaps in achieving those goals and relevant indicators required for	Meaningful actions should be taken by the Sabha to establish the sustainable development goals and make relevant indicators required for	Project had been proposed and forwarded to the Commissioner of Local Government, Northern Province for approval. Continuous

measuring the progress as well in terms of Sustainable Development Act No. 19 of 2017 for the last two years.

measuring their annual progress.

action will be taken once approval is obtained.

3.2 Management Inefficiencies

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
<p>Delays were occurred in 13 capital work schemes valued at Rs. 83.17 million estimated and approved in the annual budget of the Sabha in the year under review and the preceding years due to land disputes, incurring various risks, impossibility, implementing different projects of Central and Provincial Ministries of Local Government, etc. without being taken actions by the Sabha to implement them in due periods, thus budget proposals of the Sabha remained in a weak level.</p>	<p>Actions should be taken by the Sabha to include and implement only the work schemes which are possible to implement and complete by the fund of the Sabha within the particular year, in the annual budget of the Sabha.</p>	<p>It is kindly informed that actions are being taken to rectify such deficiencies and complete the works in relevant year.</p>

3.3 Human Resources Management

(a) Vacancies and Excesses of Cadre

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
<p>Staff vacancies had not been filled for the posts of two technical officers, market supervisor, health supervisor and five work labourers of the Sabha for the last five years, thus, delays and weaknesses were observed in the works of the Sabha to be implemented by them. Further, a vehicle driver over the approved cadre had been recruited on the basis of contract and paid salary to him from the fund of the Sabha for the last two years.</p>	<p>Meaningful actions should be taken by the Sabha to obtain staffs by transfer as per approved by the Department of Management Services in due periods.</p>	<p>Applications had been called for the posts of sanitary labourer, work labourer, watcher and driver, etc. However, permanent appointments could not be given due to non-receiving approval of the Department of Management Services up to date.</p>

3.4 Assets Management

3.4.1 Failure in carrying out Maintenance and Repairing

Audit Observation	Recommendation	Comment of the Accounting Officer
No meaningful actions had been taken by the Sabha to repair and use water pump and tractor issued to the Sabha as donation for the last 10 years.	Meaningful actions should be taken by the Sabha in respect of repairable vehicles.	The water pump which was in unrepairable condition had been included in the form of General – 47 by the annual board of survey, thus action had been taken to sell it by auction. out of vehicles issued to the Sabha as donation, any documents for issuing tractor to the Sabha were not at the Sabha. Further, such vehicle could not be used by repairing or sell it due to non-available of documents and registration books which are able to proof the ownership of the vehicle and there was not a relevant trailer to use by repairing it. In addition, it could not be expected that it is an effective for the use of the Sabha as there are 06 tractors in the use of the Sabha.

3.4.2 Assets not acquired

Audit Observation	Recommendation	Comment of the Accounting Officer
No meaningful actions had been taken by the Sabha to obtain vehicle registration books of 21 vehicles which were issued by the Government and Non-Government Organizations and being utilized by the Sabha for the period from last 01 to 10 years.	Meaningful actions should be taken by the Sabha to obtain registration books of the vehicles which were being utilized by the Sabha.	Owner details will be collected for the vehicles which didn't have vehicle registration books and action will be taken step by step.

3.4.3 Annual Board of Survey/ Stock Verification

Audit Observation	Recommendation	Comment of the Accounting Officer
Follow up actions as per report on annual board of survey for the year under review and	Actions should be taken by the Sabha to complete the follow up	Action had been taken to forward the report once this activity is

Financial Regulation 757 of the Democratic Socialist Republic of Sri Lanka had not been taken by the Sabha.

actions in due periods.

completed.

3.5 Procurement

3.5.1 Procurement Plan

Audit Observation

A procurement plan and a procurement time schedule of the Sabha had not been prepared in the year under review and the preceding years.

Recommendation

Actions should be taken by the Sabha to prepare a procurement plan and a procurement time schedule for the year in due periods.

Comment of the Accounting Officer

A procurement plan and a procurement time schedule of the Sabha had not been prepared prior to the year under review. Further, the procurement plan is being prepared and implemented since the year 2020.

3.5.2 Supplies and Services

Audit Observation

It was observed 12 instances that stationery, electrical equipment, vehicle repair, toners and daily consumable items totalling Rs. 1,620,740 had been procured from various suppliers directly without being obtained approval from the Procurement Committee of the Sabha in terms of procurement supplementary of paragraph 2.14.1 of Government Procurement Guideline of 2006.

Recommendation

Actions should be taken by the Sabha to obtain goods and services by obtaining approval of the Procurement Committee of the Sabha.

Comment of the Accounting Officer

Action is being taken to avoid these errors in ensuing periods.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation

Budget of the Sabha for the year under review had not been planned and prepared through the proper mechanism, thus, favourable variances ranging from 06 per cent to 07 per cent and adverse variances ranging from 10 per cent to 47 per cent between four categories of the budgeted expenditure and actual expenditure and favourable variances ranging from 60 per cent to 142 per cent between three categories of the budgeted revenue and actual revenue were observed.

Recommendation

Meaningful actions should be taken by the Sabha to consider appropriate sources and prepare practically possible annual budget and implement it effectively.

Comment of the Accounting Officer

It is kindly informed you that action is taken to prepare the budget by considering your comments in ensuing periods.