

**Padavi Sri Pura Pradeshiya Sabha**  
**Trincomalee District**

**1. Financial Statements**  
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**1.1 Presentation of Financial Statements**  
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Financial Statements for the year 2018 had been submitted to audit on 27 March 2019 and the summarized Auditor General's Report, Management Report relating to that were sent to the Chairman on 27 May 2019 and 31 May 2019 respectively.

**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 Padavi Sri Pura 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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**1.3.1 Accounting Deficiencies**  
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	<b>Accounting Deficiency</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a)	Salaries and allowances receivables amount of Rs. 3,266,858 had not been brought to the financial statement for year under review.	Should be adjusted in the financial statements.	It will be corrected in the preparation of the 2019 accounts.
(b)	The disaster loan obtained by an officer from the Kanthale Pradeshiya Sabha has been included to the Padavi Sripura Pradeshiya Sabha employee's loan account and due to that the balance of that account has been overstated by Rs. 245,000.	Should be adjusted in the financial statements.	Distress loan obtained from Kantale Pradeshiya Sabha has been accounted for in the year 2018 due to an error in preparation of accounts. I am kindly inform that it will be corrected in the preparation of the 2019 accounts.
(c)	Receivable amount of Rs.1,982,058 from the Department of Local Government for two completed contracts that had been contracted during the year under review under the Provincial Specific Development Grant had been omitted from accounts receivable.	Should be adjusted in the financial statements.	Since The following industries which have been done with the provision of PSDG grants in the year 2018 and the reimbursements received in the year 2019 they have not been included in the 2018 accounts. I kindly inform that it will be corrected in the

preparation of the 2019 accounts.

- (d) The stock balance of Rs. 346,304 as at end of the year under review at the Water Supply Store had been omitted. Should be adjusted in the financial statements. The balance of the stock of water supply store was omitted from the closing stock in final account as it was not balanced at the time of preparation of the final accounts. I kindly inform that action will be taken to correct in the preparation of 2019 accounts as it has been already settled.
- (e) The stock balance of Rs. 195,632 as at end of the year under review at the Store of the free ayurvedic dispensary of the Pradeshiya Sabha had been omitted. Should be adjusted in the financial statements. The balance of the stock of the free ayurvedic dispensary of the Pradeshiya Sabha was omitted from the closing stock in final account as it was not balanced at the time of preparation of the final accounts. I kindly inform that action will be taken to correct in the preparation of 2019 accounts.
- (f) Provision had not been made for the amount of Rs. 146,504 payable for external institutions for obtained services in 06 instances. Should be adjusted in the financial statements. Not replied
- (g) Even though according to the ledger accounts submitted with the account, the water deposit amount was Rs.158,000 and the rent security deposit was Rs.216,270, it was omitted from the deposit balances in the accounts. Should be adjusted in the financial statements. I kindly inform that the water deposit amount and the rent security deposit amount was omitted from the ledger accounts and action will be taken to correct in the preparation of 2019 accounts.

**1.3.2 Documentary Evidences not made available for Audit**

**(a) Not Furnishing Information**

Account Item	Recommendation	Comments of the Accounting Officer
The audit could not be satisfactorily verified due to the lack of information presented for following 04 account items amounting to Rs. 162,793,343.	Evidences should be furnished to prove the accounts balances shown in the financial statements.	I kindly inform that the required information on fixed assets with respect to the value of Rs. 4,350,676.91 has been prepared and Since the maintenance of a fixed asset register has started in the recent past, information on assets which have been in existence for a long time is being processed after examining old records of the council.

**1.4 Non-Compliance**

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

Reference to Laws, Rules, Regulations and Management Decisions	Non-Compliance	Recommendation	Comments of the Accounting Officer
(a) <b>Pradeshia Sabha (Finance and Administration) Regulations of 1988</b>			
(i) Regulation 218	All land and buildings, streets, cemeteries, playgrounds, public wells, tube wells and vehicles were not surveyed every year.	It Shall be comply with the rules.	I kindly inform that all lands and buildings, roads, cemeteries, playgrounds, public wells, tube wells and vehicles will be surveyed in the future.

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|------|---|---|--|--|
| (ii) | Regulation 217  | The register was not maintained in updated manner according to the format PS46 relating to lands and buildings. | It Shall be comply with the rules.   | I kindly inform that the Land and Buildings Registry is being updated at present.  |
| <br> |   |   |  |  |
| (b)  | Democratic Republic of Sri Lanka Financial Regulation                                     | Financial Regulation 880  | Seven officers who should keep security deposits had not been deposited employee securities. | Should act in accordance with the financial regulations.   |
|      |   |   |  | I kindly inform that arrangements will be made to deposit securities in the year 2019 from the officers who should keep security deposits.<br>I kindly inform that the information about old computers is incorporated in the fixed asset register on computers and the inclusion of newly purchased computers has been omitted and the documents will be corrected. |
| (c)  | Public Accounts Circulars of the Ministry of Finance No. AI/2002/2 dated 11 November 2002 | A fixed asset register on computers had not been maintained.  | The fixed asset register on computers should be maintained in updated manner.                |  |

## 2. Financial Review

### 2.1 Financial Result

According to the financial statements presented, the revenue over recurrent expenditure for the year ended 31 December 2018 amounted to Rs. 11,185,706 when compared with the revenue over recurrent expenditure of the preceding year amounted to Rs. 321,380.

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Billed Revenue and Collected Revenue

Details of estimated revenue, billed revenue, collected revenue and arrears of revenue relating to the year under review and previous year as per the information submitted are shown below.

Revenue Source	2017				2018			
	Estimated Revenue Rs.000	Billed Revenue Rs.000	Recovered Revenue Rs.000	Arrears as at 31 December Rs.000	Estimated Revenue Rs.000	Billed Revenue Rs.000	Recovered Revenue Rs.000	Arrears as at 31 December Rs.000
Rates and Taxes	1,100	1,083	1,110	96	1,147	1,321	1,233	57
Rental	-	-	-	-	7,000	7,343	7,078	1,168
License Fee	478	457	472	-	483	856	673	183

### 2.2.2 Performance of Revenue Collection

Audit Observation	Recommendation	Comments of the Accounting Officer
Even though the main income of the Pradeshiya Sabha is water bill income, an arrears water bill income amounting to Rs.1,168,000 had been observed at the end of the year under review. It was about a 15 per cent of high value of its billed revenue for the year under review. Out of this amount, Rs.903,000 was in arrears in previous years.	Action should be taken to recover relevant amount without delay.	I kindly inform that action had been taken to recover arrears water bill income of the year under review in the year 2019.

### 2.2.3 License Fee

Audit Observation	Recommendation	Comments of the Accounting Officer
A proper procedure had not been prepared to recover the arrears license income of Rs.182,550.	Action should be taken to recover arrears amount without delay.	I kindly inform that necessary action is being taking to recover this arrears license income.

## 3. Operating 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>
Although by-laws were to be enacted to fulfill 28 main matters under section 126 of the Pradeshiya Sabha Act, action had not been taken to approve by-laws that had been prepared in 2013 regarding 05 issues even by 31 December 2018,.	Action should be taken to enact by-laws.	I kindly inform that the documents have been sent to the Office of the Assistant Commissioner of Local Government for the enactment of by-laws for 28 main matters, Action will be taken to send back to the Office of the Assistant Commissioner of Local Government after the approval of the Special Meeting scheduled to be held on 28/05/2017 and necessary steps will be taken for the remaining matters in the future.

**(b) Action Plan**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Even though an action plan should be prepared for the activities to be done by the Sabha, an action plan for the year under review had not been prepared by the Sabha.	An action plan should be prepared.	I kindly inform that the action will be taken to prepare an action plan for the year 2019.

**(c) Delay in carrying out tasks**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
The Sabha failed to implement adequate projects in the year under review for the welfare of the public and its functions.	Programs should be planned and executed in a systematic manner to fulfill the functions of the Sabha.	I kindly inform that since the establishment of the Sabha was in 2018 and a new members has been elected, it has failed to carry out adequate projects to

fulfill the public welfare and responsibilities assigned to it and after the approve the proposals in the next year, new projects will be implemented to fulfill the public welfare and responsibilities assigned to the council.

**(d) Solid Waste Management**

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer</b> -----
Disposal of garbage was not done according to the recommendations of the Central Environmental Authority. Padavi Sripura Kotela Vasna, where the garbage dumping on one side there is a paddy field and on the other a natural canal and during the heavy rains, the garbage gets in to the canal and the paddy fields and at the time of the physical inspection, polythene, plastic and other garbage were being burnt.	Garbage disposal should be done in accordance with the recommendations of the Central Environmental Authority.	I kindly inform that action will be taken to change the site of garbage disposal after pass the proposal in the next session of the Sabha.

**(e) Environmental Issues**

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer</b> -----
Even though Environmental Protection License (EPL) should be obtained in the case of implementing enterprises such as paddy mills, carpentry and cement based industries in terms of the provisions of Section 23”a” of the National Environmental Act No. 47 of 1980 amended by Act No. 56 of 1988 and No. 53 of 2000, There were 21 such enterprises operating within the Sabha area	It should be Identified the enterprises which should obtain license and issue licenses and address environmental issues.	I kindly inform that steps have been taken to take necessary action with letters and reminders and Action will be taken on further activities after the suggestions is passed at a future meeting.

without obtaining such licenses. The Sabha did not take the necessary steps to address potential environmental issues.

**(f) Sustainable Development Goals**  
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Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
The Sabha did not identify the Sustainable Development Goals, Targets and the measurements contained in the Sustainable Development Act No. 19 of 2017 in the year under review. The Sabha had failed to implement any program due to lack of awareness even in the year under review.	Programs should be implemented to achieve the Sustainable Development Goals and Targets in terms of the Act and Circulars.	I kindly inform that provisions have been made in the budget for the year 2019 for the protection of the environment and it has been discussed to implement it and it is expected to get a new place to replace garbage disposal and to construct a building to separate garbage.

**3.2 Management Inefficiencies**  
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Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
The 41 compost bins which were purchased on 17 November 2017 at a cost of Rs.107,010, were stored in the Sabha premises without being distributed in the year under review.	The compost bins should be distributed as planned.	I kindly inform that arrangements have been made to distribute these compost bins to schools and it is expected to distribute these containers after an awareness program.

**3.3 Human Resource Management**  
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Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Although there are 13 vacancies in eight posts of the Council, no action has been taken to fill those vacancies even in the year under review.	Action should be taken to fulfill vacancies.	I kindly inform that I have discussed with the Hon. Governor on the need to fill the vacancies and have sent the documents to the relevant institutions.



### 3.4 Operational Inefficiencies

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Action had not been taken even during the year under review to settle the outstanding advance balance of Rs. 180,654 continuing from the previous year without settling.	An investigation should be carried out regarding the outstanding balances and action should be taken to recover from the relevant officers.	This advance amount is existing from the year 2013 and I kindly inform you that necessary steps will be taken to rectify it in the year 2019.

### 3.5 Assets Management

#### 3.5.1 Idle and Under Utilized Assets

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Four vehicles belonging to the council and 01 vehicle part have been underutilized for a long time without being using.	Action should be taken to Utilized.	I kindly inform that it is expected to repair the Mahindra cab mentioned here and 02 hand tractors are being surveyed for sale and transfer and the road roller and iron bowser have already been completed.

#### 3.5.2 Vehicle Utilization

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) vehicle daily running charts had not been sent to the Auditor General before the 15 of next month	Daily running charts should send to the Auditor General.	I kindly inform you that action will be taken to submit the monthly daily running charts on the due date.
(b) Action had not been taken to transfer the ownership of vehicles which are not owned by the Pradeshiya Sabha according to the Asset Management Circular No. 02/2017 dated 21 December 2017 even in the year under review.	Action should be taken to transfer to the Pradeshiya Sabha.	I kindly inform that the two vehicles referred to herein, 53-6141 and WPLE 7487 have been discussed with the Ministry of Finance and RMV owns the books on those vehicles and WPPF-7459 is in the process of

making a takeover after the lease expires, steps will be taken to acquire other vehicles in future.

**3.6 Procurement**  
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**3.6.1 Procurement Plan**  
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Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) The procurement plan had not been prepared with specific details and values of the procurements.	A procurement Plan should be prepared.	I kindly inform that necessary steps will be taken to address the shortcomings in the procurement plan.

**3.6.2 Goods and Works**  
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Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Although a Technical Evaluation Committee should be appointed for procurement in terms of <b>2.8.1 (a)</b> and <b>2.8.4</b> of the Procurement Guidelines, Purchases were made during the year under review without such a technical evaluation.	A Technical Evaluation Committee should be appointed.	I am kindly informed that a technical committee has been appointed since 2019.
(b) Even though when bidding specification should be prepared in accordance with specifications <b>5.6</b> of the Procurement Guidelines, Without such specifications, the Padavi Sripura Pradeshiya Sabha had called for bids. The specification was not reviewed in accordance with Procurement Guidelines <b>2.6.1 (a) ii</b> .	Specifications should be used when bidding.	I kindly inform you that we will follow the Procurement Guidelines Section 2.6.1 (a) ii from here.

**4. Accountability and Good Governance**  
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**4.1 Audit and Management Committee**  
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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- Audit and management committee meetings had not been conducted by the Pradeshiya Sabha according to the Circular No. DMA/2009(i) dated 09 June 2009 of the Department of Audit and Management.	----- Audit and management committee meetings should be conducted.	----- I kindly inform that Audit and Management Committees have not been set up as all proposals are submitted for the approval of the Sabha, and action will be taken to initiate those committee in the future.