

**Alayativembu Pradeshiya Sabha**

**Ampara District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2018 had been presented for 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 on 31 May 2019.

**1.2 Qualified Opinion**

In my opinion, except for the effect of 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 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Basics for the Qualified Opinion**

**a) Accounting Deficiencies**

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
i. Even though 11 vehicles valued Rs.4,950,000 had been acquired the ownership to the Sabha it had not been entered into the accounts	The relevant values should be incurred in the Financial Statements.	Actions are being taken to sent to the Department of Government Assessments. Actions would be taken to declare under the Fixed Assets after completing the necessary assessments.
ii. Stamp Duty of Rs.545,250 had not been accounted the time relating to the year 2011 to year 2016.	Money recoverable should be shown in the Accounts.	Actions would be taken to avoid this kind of situations and actions would be taken to correct this and declare this in Financial Statements for the next year.

- iii. The interest income receivable on the Fixed Deposits deposited in the Regional Development Bank of Rs.110,560 had not been accounted. The interest receivable should be accounted. The specific interest income on the Fixed Deposits deposited in the Regional Development Bank could not be calculated at the moment preparing the accounts. Interest income would be stated in the accounts next year.

**b) Lack of Necessary Documentary to Evidence for Audit**

Audit Observations	Recommendations	Comments of the Accounting Officer
Rs.166,462,154 valued on items of 05 items of accounts could not be satisfactorily vouched during the audit due to non rendition of relevant deeds, Assets registers, Board of Survey Reports, and Documents to prove the ownership.	Evidence for confirming the balances of accounts in the financial statements should be furnished.	Actions had been taken to prepare the Fixed Assets Register after received all the information regarding all the items and actions had been taken to acquire the Deeds for the Lands owned by the Sabha. A copy of the deeds would be rendered after it had been received.

**1.4 Non Compliances**

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

Reference to Laws, Rules, Regulations and Management Decisions	Non Compliances	Recommendations	Comments of the Accounting Officer
(a) Pradehsiya (Administration and Financial) Rules 1988	Sabha and		
i. Section 5(12)	Even though Cash, Store Goods, and signing cheques had been assigned to relevant	Actions should be taken to keep securities.	Actions would be taken to keep the Securities from the relevant Officers.

officers administratively securities had not been taken from them.

ii. Section 193

Statement of reasons for the excesses and shortages comparing with the budget and supplementary budget between the actual expenditure.

A statement should be prepared explaining the variances.

Actions would be taken to prepare in the future.

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

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Actions had not been taken to return to the relevant people or to transfer to the revenue account 10 expired for 02 years.

Actions should be taken in according to the Financial Regulations regarding the expired deposits.

Actions would be taken regarding the expired.

(c) Employee's Provident Fund Act No.15 of 1958 and Employer's Trust Fund Act of 1980

Even though contribution to the EPF and ETF should be calculated on the gross salary of the employee, it had been calculated on the basic salary of the temporary based employees, therefore Rs.124,178 and Rs.18,826 had been contributed less respectively as contributions to the EPF and ETF.

Contributions should be sent correctly.

Sabha had been sent the contributions on the basic salary since the month August. Actions would be taken to avoid this kind of errors in the future.

(d) Treasury Circular No.IAI/2002/2 on 28 November 2002

A separate Fixed Assets Register on Computer Equipment and Software had not been maintained.

A separate register should be maintained.

A Separate Fixed Assets Register (General 287) would be prepared in the future.

**2. Financial Review**

**2.1 Financial Results**

According to the financial statements presented, the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2018 amounted to Rs.1,566,243 as compared with the excess of recurrent expenditure over revenue of the preceding year amounting to Rs.10,874,998.

**2.2 Revenue Administration**  
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**2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue**  
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Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2018				2017			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	1,000,000	727,030	501,192	225,838	250,000	722,161	722,161	-
(ii) Rent	2,500,000	3,100,398	3,018,125	623,591	1,990,000	2,072,814	2,137,874	541,318
(iii) Licence Fees	900,000	652,330	652,330	16,680	805,000	671,877	671,877	16,680
(iv) Other Revenue	14,541,000	9,121,158	4,535,808	4,585,350	13,381,000	11,803,112	11,803,112	-

**2.2.2 License Fees**

**Audit Observations**

**Recommendations**

**Comments of the Accounting Officer**

License Fees had not been charged under Section 150(1) of the Pradeshiya Sabha Act even though a Cinema, Notary Office and a Vehicle Park had been doing business during the year 2018.

Actions should be taken to charge License Fees.

Actions would be taken to charge the full payment of License Fees and actions would be taken to avoid these kind of errors in the future.

**2.2.2 Court Fines and Stamp Fees**

**a) Court Fines**

**Audit Observations**

**Recommendations**

**Comments of the Accounting Officer**

Rs.1,995,402 had been received in the year under review relevant for the time period April to September 2017. Actions had not been taken as at 31 May 2019 to recover the Court Fines at the end of the year 2018.

Actions should be taken to recover the Fines in the relevant time period.

Actions would be taken to recover the Court Fines as soon as possible by reviewing the matters to recover the Court Fines during the relevant time period and sending the remembrance to recover the Court Fines.

**b) Stamp Duty**

**Audit Observations**

**Recommendations**

**Comments of the Accounting Officer**

The additional Stamp Duty had not been charged from the Eastern Provincial Revenue Department by direct and mobile service collection for transferring the real estate within the territory of the Pradeshiya Sabha for the years 2017 and 2018.

Actions should be taken to recover the Stamp Duty.

The duty regarding the year 2017 had been recovered. Actions would be taken to calculate the Stamp Duty for the period till December 2018 and sent it to Eastern Provincial Chief Secretary- Finance Minister.

### 3. Operating Review

#### 3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) <b><u>By-laws</u></b> Even though by-laws should be imposed for regulating the Sabha Income under Section 126 of the Pradeshiya Sabha Act, by-laws had not been imposed on 14 matter as at 31 December 2018.	Actions should be taken to impose by-laws under the Act.	Comments had not been given.
(b) <b><u>Action Plan</u></b> Action Plan had not been prepared on 05 tasks that should be completed by the Sabha.	An annual Action Plan should be prepared.	Comments had not been given.
(c) <b><u>Solid Waste Management</u></b> Garbage Collection, Compost production and Solid Waste Disposal Centre in Kannagipuram had been built under the specific Development Aids of Rs.1,253,940 in the year 2016. Further the specific Development Aids of Rs.1,210,000 valued 02 machinery had been purchased. But, Rs.709,842 had been paid to the Addalachchenai Pradeshiya Sabha for removing the Garbage because the Feasibility Study and the Plan had not been prepared.	The revenue should be raised by reopening the solid waste management centre and fixing the 02 machinery.	Actions would be taken to restart the Solid Waste Management Centre by raising the public awareness through discussions and implementing awareness programs and the 02 machinery purchased would be fixed.

(d) **Targets of Sustainable Development**

Every public institution has to work under the United Nations Agenda for the year 2030 according to the Sri Lanka Sustainable Development Act No.19 of 2017. But Actions had not been taken to realize and attain the aims regarding this.	Actions should be taken by the Sabha to realize, attain and implement the indices to measure the performance the aims.	Inform that the actions would be taken to prepare a plan to achieve the Targets mentioned by the United Nations Agenda for the year 2030.
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**3.2 Management Inefficiencies**

**Audit Observations**

**Recommendations**

**Comments of the Accounting Officer**

- | Audit Observations  | Recommendations   | Comments of the Accounting Officer   |
|---|---|--|
| a. Even though the Librarian had informed that the Library had been repaired on 15 September 2017, because of not repairing the Library roof in the year under review, the rain water had been leaked in and mixed with the pigeon poop and that area had been become dirty. Few of the rare books had been destroyed and that part of the building had been closed down since 24 March 2018. | Actions should be taken to repair the Library as soon as possible the books should be secured and let the readers to use the Library. | Actions would be taken to repair the Library as soon as possible, the books would be secured and let the readers to use the Library.         |
| b. Actions had not been taken to obtain recommendations from the Board of Survey 2017 and make necessary investigations.  | The investigations on the Board of Survey Reports should be done during the relevant time periods.                                    | Actions would be taken to investigate 75 affected books in the Board of Survey Report 2017 by incurring it in the year 2018 Board of Survey. |
| c. Even though Rs.233,100 had been charged from the 114 residents to fix the Roads dug when fixing water supplies in the year 2018 but the roads had not been repaired.   | Roads had been dug should be repaired.  | Actions would be taken to repair the holes once in a quarter or two.   |



### 3.3 Human Resources Management

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
Actions had not been taken to fill 08 vacancies appeared in 08 posts	Actions would be taken to fill the 08 vacancies.	Inform that it would be discussed with the specific department and fill the vacant posts.

### 3.4 Operating Inefficiencies

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
According to the Section 134 of the Pradeshiya Sabha Act No.15 1987 Rates could be charged after realizing specific real estate within the Sabha territory. However Sabha had not been taken action to recover rates from 4821 houses and 663 stalls within its territory by imposing by-laws under above Act.	Actions would be taken to raise the Sabha income by realizing the developed areas within the territory and imposing rates.	Actions would be taken about this after a discussion with the current Sabha to recover the rates in the future.

### 3.5 Assets Management

#### 3.5.1 Assets Not Registered

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
Rs.158,905,253 of Lands and buildings owned by the Sabha had been stated in accounts at the end of the year under review it had not been taken actions to put it in the register as Movable and Non-movable Assets in the Assets Register.	Actions should be taken to maintain a Fixed Assets Register.	Actions would be taken to prepare a assets register and state the Lands and Buildings separately in the future.

### 3.5.2 Assets Should be Repaired

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
Actions had not been taken to repair 07 over 04 years and parked them in the Sabha premises and remained idled.	Actions should be taken to repair and use the vehicles.	• Actions would be taken to repair the relevant vehicles as soon as possible.

### 3.6 Procurements

#### 3.6.1 Procurement Plan

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
a. A procurement Plan had not been prepared.	A Procurement Plan should be made for the year.	A procurement plan would be made for the year in the future.
b. Contract works could not be sub contracted by the contractor according to the conditions of the Procurement Guideline 3.9.1. Even though it had been sub-contracted.	Sub-contracts could not be given according to the Procurement Guidelines.	Permissions for Sub-contracts would be completely stopped in the future.