

## Town and Gravets Pradeshiya Sabha

### Trincomalee District

#### 1. Financial Statements

##### 1.1 Presentation of Financial Statements

Financial Statements for the year 2019 had been submitted to audit on 14 February 2020 and the summarized Auditor General's Report relating to the year under review was sent to the Chairman on 17 July 2020 and the detailed management report sent on 19 August 2020.

##### 1.2 Qualified Opinion

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 Town and Gravets Pradeshiya Sabha as at 31 December 2019 and its financial performance and the cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

##### 1.3 Basis for Qualified Opinion

###### 1.3.1 Accounting Deficiencies

	<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a)	Although, as per the accounts the arrears rates and taxes on 22,494 properties in 21 divisions of the Sabha area was Rs.12,837,893, as per the ledger accounts it was Rs.16,444,270. Accordingly, a sum of Rs. 3,606,377 was understated in the accounts.	Proper documentation should be confirmed.	The arrears rates and taxes on 22,494 properties in 21 divisions of the Sabha area was understated by Rs.3,606,377. The approval of the Ministry will be sought in the future.
(b)	The court fines of Rs.6,411,650 for the period from May to October of the year under review had not been accounted for.	Receivables should be disclosed in the accounts.	Court Fines of Rs.6,411,650 from May to October 2020 calculated by our Revenue Inspector. Up to now, only the income received from the legal letters is included in the final accounts.
(c)	The stamp duty of Rs. 14,939,320 for the year 2018 amounting and the outstanding	Receivable balances should be disclosed in the accounts.	This value was confirmed at the time of calculation but was not received, so only

	stamp duty till the end of the year under review had not been taken into account.		income from accounts was included.
(d)	At the time of allotment of private lands, the value of 10% of land allotted to the Council for public works, 03 A, 01 R , 14.29 P, had not been estimated and accounted for.	Action should be taken to estimate the value of the relevant assets and present them in the financial statements.	Action will be taken to include this in future accounts.
(e)	376 items for the year 2017 and 130 items for the year 2018, which were recommended for sale by the Boards of Survey in 2017 and 2018, were sold at auction and received Rs. 145,836. But the cost of these assets was not removed from the financial statements.	Action should be taken to deduct the value of the assets removed and disclose in the financial statements.	In the event of a future auction sale, the cost of those assets will be calculated and deducted from the accounts.
(f)	Security services, electrical connections, purchase of auto parts and related expenses amounted to Rs. 8,809,722 included in the value of lands and buildings in the financial statements.	Only land and building related expenses should be disclosed under the Land and Building Account.	The final financial statements of our Sabha were prepared in Standard Format in accordance with the Pradeshiya Sabha Act No. 15 of 1987. As a result, Rs. 8,809,722 spent on various development programs has been included in the value of land and buildings in the financial statements.

**1.3.2. Accounts Receivables**

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer</b> -----
Market rents of Rs.1,188,570 had been presented in the accounts for more than five consecutive years, but no action had been taken to recover or write-off the arrears.	Arrears should be recovered.	Arrears rent of Rs. 455,232 existing long period is prior to the year 2015. No evidence for this arrears was found in the documents. Also, the amount received from the lessees in the years 2016 and 2017 was Rs.165,336 which was not included in the income and was shown in the deposits.

### 1.3.3 Documentary Evidences not made available for Audit

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
The title deeds and fixed asset register had not been submitted for audit for 03 accounts amounting to Rs.149,885,647 in the financial statements.	Relevant evidence should be submitted for the accounting subjects mentioned in the financial statements.	Only registered lands and buildings belonging to our Sabha are included in the register of fixed assets. Documents confirming the title of the land regarding the handing over of other lands and buildings to the Pradeshiya Sabha had been sent to the Divisional Secretariat but the title deeds of these lands and buildings had not been received.

### 1.4 Non-Compliances

#### Non-compliances 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) Section 182 of the Pradeshiya Sabha Act No. 15 of 1987	Advances of Rs.2,356,250 given to various parties during the period from 1990 to 2013 had been written-off from the accounts without the approval of the Minister in charge of the subject.	With the approval of those responsible, action should be taken to write-off.	Advances of Rs.2,356,250 given in the past was written-off by our Sabha without being presented in the accounts. Steps will be taken to obtain approval from the Ministry.

## 2. Financial Review

### 2.1 Financial Result

According to the financial statements presented, the revenue over recurrent expenditure for the year ended 31 December 2019 amounted to Rs. 29,222,592 when compared with the revenue over recurrent expenditure of the preceding year amounted to Rs. 47,913,097.

## 2.2 Revenue Administration

### 2.2.1 Estimated Revenue, Billed Revenue, Collected 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.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Rates and Taxes	26,225	39,130	26,292	12,838	26,420	24,323	23,502	821
Rent	3,238	-	2,512	-	2,786	2,362	2,263	99
License Fee	6,318	-	1,286	-	4,523	2,510	2,415	95
	<u>35,781</u>	<u>39,130</u>	<u>30,090</u>	<u>12,838</u>	<u>33,729</u>	<u>29,195</u>	<u>28,180</u>	<u>1,015</u>

### 2.2.2 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
Taxes have been levied up to now based on the 2012 assessment without assess the properties at least once a five year. Also, the rate charged at annual value was only 6 percent for all types of property.	Contact the Valuation Department and make the relevant arrangements.	The assessment tax levied by the Sabha was assessed by the Tax Assessment Department in the year 2012. Letters have been sent to the Tax Assessment Department requesting a re-assessment for the year 2019.

### 2.2.3 Land Lease for Installation of Telephone Communication Towers

Following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The rental value of the land allotted for the installation of telephone towers to three private institutions had not been assessed.	Agreements should be reached after obtaining the assessment from the Valuation Department.	Although the assessment tax had been assessed for the shop complex and telephone towers leased for this property belonging to the Pradeshiya Sabha, the officials at that time had not obtained a rent assessment from the valuation department regarding the due rent. Rent will be charged by

obtaining reports from the Valuation Department when renewing contracts with the Telecommunications Company.

(b) A sum of Rs.18,152 under levied due to charges made outside the agreements entered into with a telephone company.

Follow the letter of the Income Tax Department.

According to the agreement, the monthly rent for the period from 01.09.2015 to 31.08.2019 was Rs.14,641 In accordance with the Circular No. SEC / 2018/05 dated 29.03.2018 of the Inland Revenue Department, payments to which section 84 (1) (a) (i) provides for a 10% tax deduction, Rs.13,177 had been paid by that institution.

#### 2.2.4 Taxes on Sale of Land

##### Audit Observation

Rs.3,095,970 and Rs.2,899,430 had not been collected as 1% tax on land sales in the years 2017 and 2018 respectively.

##### Recommendation

Action should be taken in accordance with the Pradeshiya Sabha Act.

##### Comments of the Accounting Officer

In terms of Section 154 of the Pradeshiya Sabha Act No. 15 of 1987, We will levy a 1% tax on the sale of land in the Sabha area, by auction, or otherwise, by the auctioneer or broker or his employee or agent.

#### 2.2.5 Fees on Tourist Resort Revenue

##### Audit Observation

(a) By Article 122 of the Pradeshiya Sabha Act, by-laws have not been established and no action has been taken to charge up to 1 per cent from a holiday resort, restaurant or lodge registered with the Sabha.

##### Recommendation

By-laws should be established and action should be taken to charge fees.

##### Comments of the Accounting Officer

By-laws were drafted in terms of Section 122 of the Pradeshiya Sabha Act No. 15 of 1987, but this tax could not be levied due to non-approval.

### 3. Operating Review

#### 3.1 Performance

Following matters were revealed relating to the functions to be performed by the Sabha for the regulation and control, Public luxury and convenience and welfare of Public Health, Public Utilities and Public Roads under the provisions of Section 3 of the Pradeshiya Sabha Act.

#### 3.2 Human Resource Management

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
There were vacancies for two (02) apothecaries in the Ayurveda Center.	Vacancies should be filled.	Approval had not been received yet for fill the vacancies.

#### 3.3 Operational Inefficiencies

##### 3.3.1 Installation of Street Lamps

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(i) During the year under review, 85 LED Street Lamp (150W) quality electrical bulbs were purchased for Rs. 1,105,500 for street lighting. But the price of bulbs had fluctuated from Rs.2,000 to Rs.10,000.	High quality electrical bulbs should be purchased at minimal cost.	In the year 2019, according to the bids received and the purchase decisions (14.01.2019 and 05.08.2020) the lowest prices for 150 Copra LEDs subject to repair were Rs.12,880 and Rs.11,150 Also, this was the lowest price of a Copra LED per unit of purchase in 2020 at Rs.10,400.

#### 3.4 Assets Management

##### 3.4.1 Fixed Assets

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
It was observed that lands with an area of 01A 07R 7.29P have been idle for more than 03 years without	Action should be taken to use the land for suitable development activities.	The funds available to our Sabha are not sufficient to carry out planning activities on these lands. However, it is proposed to make the

being used by the Sabha for any kind of utilization.

land with the present title deed No. 3785 suitable for the construction of our Sabha vehicle repair workshop and solid waste disposal parking lot with the assistance of the Asian Development Bank. In the future, work will be done for the utilization of this land.

### 3.4.2 Annual Board of Survey

Following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The annual inventory survey for the year under review had been conducted without considering the opening balance of the year 2018.	Action should be taken to confirm the annual inventory compared to the previous year.	At the Annual Board of Survey for the year 2019, I would like to inform you that the survey has been carried out after checking the inventory. In the future, the inventory survey records of the previous year will be monitored.
(b) Although the Annual Board of Survey should have complied with the recommendations made in 2018 and 2019, it had focused only on the auction sales of the relevant items and not on other matters.	Action should be taken to correct mistakes.	I would like to inform you that such mistakes will not happen in the future.

## 4. Accountability and Good Governance

### 4.1 Internal Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
An internal audit had not been conducted for the year under review.	An internal audit should be conducted.	As the Internal Audit Officer of our Sabha, Mrs. S.M.Thirani was appointed as the Management Assistant, but due to vacancies, the Internal Audit is conducted by the Research Officer of the Office of the Assistant Commissioner of Local Government.