

**Verugal Pradeshiya Sabha**

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**Trincomalee District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2019 had been presented to Audit on 28 May 2020 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 12 August 2020 and 19 August 2020 respectively.

**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 Verugal 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**

**(a) Accounting Deficiencies**

Following Accounting Deficiencies were observed.

<b>Audit Observations</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Although the Officers' quarters for the Pradeshiya Sabha had been constructed spending the Central Fund balance amounted to Rs.5,266,800 and handed over to the Pradeshiya Sabha in the year 2014, which had not been accounted up to now.	Action should be taken to disclose the value of the Officers' quarters in the Financial Statements.	I like to inform you that the relevant Officers quarters valued at Rs.5,266,800 will be added to the respective account in the financial statements prepared in the next year.

**(b) Accounts Receivables and Payables**

<b>Audit Observations</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<b>(i) Accounts Receivables</b> No action had been taken to recover Rs.538,278 due from	Should take appropriate action.	Adequate information is not available in respect of arrears

arrears shops rental, drinking water distribution charges and machinery rent arrears etc. outstanding from various individuals.

Rs.538,278. However, I would like to inform you that action will be taken to collect information to recover in this regard or to write off from the appropriate accounts.

(ii) **Accounts Payable**  
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Withholdings Rs. 560,048 and Rs.3,507,716 respectively for the Works carried out from the PSDG, CBG in 2017 and funds of the Sabha for the reconstruction works under the “Puraneguma Programme” during the period from 2013 to 2017 were not taken action to repay to the respective contractors or transfer them to the revenue.

Appropriate action should be taken as per financial regulations.

A sum of Rs.44,013 had been settled out of the relevant surety amount in the year 2020. I would like to inform that further action will be taken with regard to remaining surety money in this year.

(c) **Lack of Evidence for Audit**  
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**Audit Observations**  
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**Recommendation**  
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**Comments of the Accounting Officer**  
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Due to non-submission of required information, four accounts amounting to Rs. 64,462,017 could not be satisfactorily audited.

Arrangements should be made to maintain the required documents and action should be taken to attach the required attachments in the financial statements.

Action had been taken to maintain fixed assets register. Further, necessary actions would be taken to obtain title deeds. I would like to inform that detailed lists will be attached for machineries, motor vehicles and drinking water connections etc. in preparation of the next financial year final accounts

**1.4 Non-compliances with Laws, Rules, Regulations and Management Decisions**  
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Following instances of Non-compliances to Laws, Rules, Regulations and Management Decisions are given below.

**Reference to Laws, Rules, Regulations and Management Decisions**  
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**Non-Compliance**  
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**Recommendation**  
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**Comments of the Accounting Officer**  
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| (a) | Section 12(i) of the Pradeshiya Sabha | Although separate committees have been set up and obtain | Actions should be taken to set | I would like to inform you that four new standing |
|-----|---------------------------------------|--|--------------------------------|---|

Act No.15 of 1987	<p>advises for the purpose of easing the functions of the Pradeshiya Sabha, to make a complete decision and for matters such as Council funds, policy planning, housing construction, social development, technical services, environmental and public utilities. Nevertheless, action had not been taken to set up committees from the date of started up the Sabha to the date.</p>	<p>up necessary committees.</p>	<p>committees will be established after discussions and decisions with the Sabha with regard to advisory committees.</p>
(b) Section 193 of the Chapter X of Pradeshiya Sabha Rules (Financial and Administrative) of 1988	<p>A clarification statement on the variances observed between the budgeted and actual revenue and expenditure for the year had not been prepared and submitted to the Auditor General.</p>	<p>The clarification statement should be prepared and submitted to the audit.</p>	<p>Attachments for the variances are disclosed in preparation of next financial year final accounts, comparing the actual revenue and expenses for the year with the budgeted amounts.</p>
(c) Financial Regulation 571 of the Democratic Socialist Republic of Sri Lanka	<p>Action had not been taken as per financial regulations to settle by paying or to transfer to revenue the bid deposits, miscellaneous surety deposits and other deposits amounting to Rs.485,499 which were more than 02 years.</p>	<p>Action should be taken as per financial regulations.</p>	<p>I inform you that relevant actions will be taken during the year under review with regard to deposits and surety deposits totalled Rs.485,499.</p>
(d) Section 02(iv) of No. 09/2009 of Public Administration, Internal Affairs Circular dated 16 April 2009.	<p>A holiday allowance amounted to Rs.67,993 had been paid stating that the Secretary of the Sabha had performed duties during holidays at the Sabha without confirming the arrival and departure time by fingerprint machine</p>	<p>Actions should be taken to as per Circular.</p>	<p>Allowances are made for additional time period by confirming the arrival and departure time from the finger print machines in present.</p>

## 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.1,738,646 when compared with the revenue over recurrent expenditure of the preceding year amounted to Rs. 1,344,198.

### 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	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Recovered Revenue	Total Arrears as at 31 December
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Rental	2,070	1,592	1,736	491	1,684	922	1,253	505
Other Revenue	962	385	385	266	3,990	1,849	2,863	256
Total	<u>3,032</u>	<u>1,977</u>	<u>2,121</u>	<u>757</u>	<u>5,674</u>	<u>2,771</u>	<u>4,116</u>	<u>761</u>

#### 2.2.2 Rental of stalls

##### Audit Observations

The stall No. D of the Sabha stalls was rented with an agreement of 05 years from 01 February 2018. However, the agreement was terminated by the tenant due to his inability in November 2018. Accordingly, rental arrears amounted to Rs.79,200 and Rs.7,920 of fines had not been recovered from the tenant and also the security deposit Rs.144,000 which was deposited by him had not been transferred to the income.

##### Recommendation

Action should be taken to recover the arrears of rent.

##### Comments of the Accounting Officer

I like to inform you that I would adjust dues Rs.79,200 and penalty Rs.7,920 from the relevant tenant of his deposit Rs.144,000 and necessary actions will be taken to transfer the remaining balance to income. I would also like to inform that bids will be called and given to new tenants.

### 2.2.3 Stamp Duty

<b>Audit Observations</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Proper actions had not been taken to calculate the Stamp Duty for the years 2017, 2018 and 2019 and recover from the Registrar General.	Appropriate actions should be taken to ensure the proper receipt of revenue.	Request had been made by letters to obtain stamp duties due for the years 2017, 2018 and 2019 calculated and to be recovered from the Registrar General.

### 3. Operational Review

#### 3.1 Performance

##### Sustainable Development Goals

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
According to the Sustainable Development Act No.19 of 2017, the Sustainable Development Programmes Agenda to be achieved by 2030 had not been prepared.	Action should be taken as per the Circular.	Focused on the matter of sustainable development goals.

#### 3.2 Management Inefficiencies

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Even though the Eastern Provincial Council Department had granted Rs.89,848 to the Sabha for Dengue Eradication Programme in 02 October 2017 but it was observed that this had been kept in the deposit Account of the Sabha, without utilizing these Funds for the intended purpose.	Appropriate actions should be taken to achieve the goals of the programme.	I would like to inform you that, the amount Rs.89,848 granted for Dengue Eradication Programme will be utilized for the intended purpose or for the related health services during this year.

### 3.3 Human Resource Management

Audit Observation	Recommendation	Comments of the Accounting Officer
The approved cadre for Librarian position of the Sabha had been vacant but a Librarian had not been appointed over 02 years.	Action should be taken to recruit.	The appointment of a Librarian had already been announced even at that movement. However, I would like to inform you that the relevant recruitments will be requested and obtained by informing in writing.

### 3.4 Assets Management

#### (a) Assets not arrogated

Audit Observation	Recommendation	Comments of the Accounting Officer
Action had not been taken to take over the ownership of the 15 vehicles donated by other institutions for over 08 years, by the Sabha.	Action should be taken to take over the vehicles.	Action would be taken to take over the ownership with regard to 08 vehicles into the name of Sabha.

#### (b) Idled Assets

Following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) Two buildings of the open market and a shop complex consist of line shops valued at Rs. 2,272,800 belonging to the Sabha remained vacant from 2011 to the end of the year under review and the ICE factory was remained idled without used.	Action should be taken to use the property in a roper manner.	Renovation of market building and ICE factory are under Discussion.
(ii) Ten vehicles had been idle for more than 04 years without being repaired and necessary actions had not been taken for them.	Repairable vehicles should be repaired and used and disposal of non-repairable vehicles should be expedited.	These vehicles will be Repaired immediately as soon as the funds received.

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| (iii) | Out of the 121 garbage collecting bins purchased for Rs.384,200 during the period of 2018 and 2019, eighty-three bins had been kept in the store room of the Sabha even by the date of audit of 10 June 2020. | Action would be taken to distribute to the relevant beneficiaries. | Necessary actions had been taken to distribute the garbage collecting bins to the relevant beneficiaries. |
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(c) **Annual Board of Survey**  
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Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
A deficit in 04 kinds of 127 items had been disclosed in the Board of Survey carried out during the years 2018 and 2019.	Necessary actions should be taken immediately to identify of rectify the deficits.	Further actions will be taken in this year according Board of Survey carried out in the years 2018 and 2019 with regard to deficit items.

**4. Accountability and Good Governance**  
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**4.1 Internal Audit**  
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Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Even though an Internal Audit Officer had been appointed for the internal audit activities during the year under review, no internal audit activities had been implemented even by the date of audit of 12 June 2020. Accordingly the Internal Auditor had been appointed but the objective was not been achieved.	Action should be taken to fulfill the purpose of internal audit.	I would like to inform you that attention will be paid on the matters after the audit in respect of internal audit.

**4.2 Audit and Management Committee**  
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Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Even though the Sabha had been conducted 04 Audit and Management Committee meetings during the year under review, but no progress on the recommendation implemented of committee had been made.	Action should be taken to implement the recommendation	I would like to inform you that the recommendations made at the meeting of the Management Committee will be reviewed in the future and the recommendations will be implemented.