

**Pachchilaipalli Pradeshiya Sabha
Kilinochchi District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to Audit on 24 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 on 18 June 2020 and 18 July 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 Pachchilaipalli 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 Deficiencies

Audit Observations	Comments of the Accounting Officer	Recommendations
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(i) A provision of Rs. 475,000 made in the sundry creditors account for the work scheme of Soranpattu Koththikkulam cemetery in the year 2018 had been shown as a fixed asset in the accounts without being completed such work, thus the value of the building had been overstated by Rs. 475,000 in the financial statements.	At present, 90 percent of Works had been completed.	Work schemes should be completed in due periods.
(ii) Nonrefundable tender deposit for the stall amounting to Rs. 151,100 had been shown as a revenue deposit balance in the accounts without being shown as a revenue, thus revenue had been understated by Rs. 151,100 in the financial statements.	At present, it had been transferred to revenue.	Revenue should be shown as per respective heads in relevant financial year.

- (iii) A sum of Rs. 580,000 shown in the sundry creditors account for uncompleted work scheme of Sankani cemetery in the last year had been transferred to accumulated fund in the year under review without being completed such work. However, any journal entries had not been made.
- It had been transferred to accumulated fund by voucher and entered in the monthly accounting reports. Further, it had been rectified in the accumulated fund account.
- Prior year matters should be rectified through the journal entries.

1.4 Non-compliances

Observations

Reference to Laws, Rules and Regulations	Value	Non-compliances	Comments of the Accounting Officer	Recommendations
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	Rs.			
(a) Financial Regulation 571 of the Democratic Socialist Republic of Sri Lanka	945,944	No meaningful action had been taken in respect of 36 lapsed deposits for over two years.	Some deposits had been refunded. Action is being taken to refund balance deposits.	Action should be taken in terms of financial regulation.
(b) Section 75 of 12 th various license matter of the Gazette Notification (Extra Ordinary) of the Democratic Socialist Republic of Sri Lanka of 17 April 1989.	-	Trade license had not been issued for 08 trade centers given for ground rent by the Sabha.	Action had been taken to recover.	Action should be taken in terms of Gazette Notification.
(c) Section 3.3 of State Finance Circular No. 1/2012 of 05.01.2012 of Ministry of Finance and Planning.	1,190,000	It was mentioned that community based organizations cannot involve more than 03 contracts when awarding contracts. However, it was contrary to the state finance circular that 05 work schemes had been	It had been awarded as other community centres had not preferred to implement. Contracts will not be awarded in ensuing periods.	Action should be taken in terms of the circular.

awarded to a community center within 03 months period.

(d) Provincial Financial Rule No. 163.3(ii) of 2008 of Northern Provincial Council of the Democratic Socialist Republic of Sri Lanka 4,709,367 Twelve advance payments had not been settled. Ten advance payments had been settled. Action had been taken to settle the balance thereof. Actions should be taken in terms of Financial Rule.

(e) **Other Circulars**

Circular No. 04/2016 of 25 July 2016 of Commissioner of Local Government, Northern Province	1,719,617	Even though it was mentioned that monthly statement in respect of recovery of revenue and recovery of arrears – P.S. 07 accounting report should be prepared monthly, the Sabha had not prepared P.S. 07.	It is being prepared monthly in this year.	Action should be taken in terms of the circular.
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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. 20,595,526 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 21,215,468.

2.2 Financial Control

Audit Observation

Comment of the Accounting Officer

Recommendation

Current Account No. C-2713 balance of Bank of Ceylon amounting to Rs. 17,453 had been maintained continuously for over five years without any activities. However, no meaningful actions had been taken in this regard.

A letter had been sent to the bank to close and transfer the balance of said account to the current account.

Account should be closed.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Collected Revenue and Arrears of Revenue

Information on the estimated 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	Collected Revenue	Arrears as per Statement of Financial Position as at 31 December	Estimated Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	-	-	-	-	-	-
(ii) Rentals	4,284,722	5,332,209	233,434	3,458,724	4,395,050	332,510
(iii) License Fees	432,500	523,216	1,500	434,500	835,464	8,200
(iv) Other Revenue	45,066,571	54,678,424	1,484,683	46,910,356	23,378,957	4,935,862
	49,783,793	60,533,849	1,719,617	50,803,580	28,609,471	5,276,572

2.3.2 Performance in Collection of Revenue

Audit Observations	Comments of the Accounting Officer	Recommendations
(a) No meaningful actions had been taken by the Sabha to bill and collect its revenue for over the last 10 years.	Revenue is being recovered by billing. Action had been taken to prepare properly.	Action should be taken to bill and recover the revenue.
(b) A sum of Rs. 1,719,617 had been shown as arrears in the accounts in the year under review and no meaningful actions had been taken to recover these arrears for the period more than 1 to 7 years.	A sum of Rs. 1,448,563 had been recovered. Action is being taken to recover balance of arrears.	Action should be taken to recover arrears of revenue in due periods.
(c) An unidentified ground rent receivable of Rs. 42,017 remained in the Sub Office, Puloppalai of the Sabha had been shown as arrears in the financial statements for over the last three years and no meaningful actions had been taken to identify and recover them.	Action had been taken to recover.	Action should be taken to recover arrears in due periods.

2.3.3 Rates and Taxes

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
No any meaningful actions had been taken by the Sabha to recover rates and taxes for the year under review in terms of Section 32 of Chapter III of Pradeshiya Sabhas (Financial and Administrative) Rule of the year 1989.	Action is being taken to recover.	Action should be taken in terms of the Act.

2.3.4 Rents

Audit Observations -----	Comments of the Accounting Officer -----	Recommendations -----
(a) Temporary permission had been granted for 23 stalls in the contract of ground rent. However, those stalls have permanent cement building and separate electricity connections and rent thereof is also recovered on the basis of ground rent method.	Action is being taken against the contractor who constructed permanent stalls contrary to the contracts.	Action should be taken as per condition of contract.
(b) Two stalls constructed under rent contract of the Sabha had been given on the basis of sub lease without permission of the Sabha.	Action is being taken.	Relevant action should be taken in respect of giving on the basis of sub lease in terms of the contract.
(c) No meaningful actions had been taken in respect of issuing trade license for the trade centers constructed under the ground rent.	At present, action had been taken.	Trade license should be issued.

2.3.5 Court Fines and Stamp Fees

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
Court fines and stamp duties of Rs. 654,167 and Rs. 584,397 respectively had to be received from the Chief Secretary of the Provincial Council and all authorities as at 31 December 2019.	Request letters had been sent.	Action should be taken to recover in due period.

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) By-Laws

Audit Observation	Comment of the Accounting Officer	Recommendation
By-laws were required to be enacted for 33 main functions in terms of section 126 of the Pradeshiya Sabhas Act. However, any by-laws had not been enacted for any function even as at 31 December 2019.	At present, standard by-laws had been accepted and action is being taken to publish revenue details in the Gazette.	By-laws should be enacted in terms of the Act.

(b) Abandoned Activities

Audit Observation	Comment of the Accounting Officer	Recommendation
Activities of 02 work plans valued at Rs. 2.3 million budgeted in the year under review had been abandoned completely without being obtained expected outcomes.	Construction of children park had been included in the Gamperaliya scheme. Construction of an entertainment center had to be obtained approval from relevant ministry. As such, works had been implemented by changing plans.	Work plans should be implemented as per budget and completed in due periods.

(c) Delays in executing Activities

Audit Observation	Comment of the Accounting Officer	Recommendation
Four work schemes valued at Rs. 1,105,000 implemented by the fund of the Sabha had not been completed within the contract period.	Three works had been completed now and one work is being carried out.	Work plans should be completed in due periods.

(d) Solid Waste Management

Audit Observations -----	Comments of the Accounting Officer -----	Recommendations -----
(i) It was decided the days and places to collect recycling goods in Grama Niladhari division wise in the Decision No. 24 of 15 November 2019 of the Sabha. However, practices for recycling wastes had not been implemented up to the date of report.	Arrangements had been made to implement said activities properly.	Action should be taken as per decision.
(ii) A solid waste categorizing system had not been adopted in respect of wastes obtaining from houses, stalls, hotels, vegetable and fruit sale centers, meat stalls, factories, hospitals, public places which are situated under the purview of the Sabha as per nature of places.	Categorizing system had not been adopted due to shortage of staff. Action will be taken.	Solid waste management system should be adopted.
(iii) The Sabha had not given any training to the officers in respect of waste management and medical test to be carried out annually had not been carried out for 02 sanitary labourers.	Action had been taken to give trainings in this regard to the officers in future.	Trainings should be given and medical tests should also be carried out.
(iv) Daily collected wastes had not been covered by soil layers, thus there were possibility to spread mosquitos and flees and environment had been affected by bad smells.	Action had been taken to bury wastes of animals by digging pits.	Action should be taken without being affected environment.

(e) Environmental Issues

Audit Observations -----	Comments of the Accounting Officer -----	Recommendations -----
(i) Collected wastes are burnt without being implemented different mechanism to segregate wastes, thus environment is affected.	Action will be taken on this matter.	Wastes should be disposed without being affected environment.

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| (ii) | No actions had been taken to spray mosquito oil for preventing spread of mosquitos and flees and to prevent bad smell in the area selected for disposing solid wastes. | Action will be taken on this matter. | Action should be taken to protect the environment. |
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(f) Sustainable Development Targets

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
A plan in respect of sustainable development targets had not been prepared on the basis of long term.	Action will be taken to prepare in this year.	A long term plan should be prepared.

3.2 Management Inefficiencies

Audit Observations -----	Comments of the Accounting Officer -----	Recommendations -----
(i) Thampakaamam Arasarzeni connection road reconstructed at a cost of Rs. 3,398,505 under provincial specific fund had been damaged for 150 meters length and it could not be used by the general public.	At present, it had been reconstructed.	Objective of constructing road should be achieved.
(ii) A sum of Rs. 674,407 had been paid for repair of vehicle due to vehicle accident incurred on 27 October 2015. Out of that, a sum of Rs. 526,407 had been received from the Insurance Company and rest of Rs. 147,820 had been paid by the Sabha as an advance. However, the Sabha had made a decision to recover the loss of vehicle accident paid as an advance from the driver. But, it had not been recovered up to now.	At present, it is being recovered from the driver partially.	It should be obtained as per financial regulation.
(iii) Rent is recovered by the Sabha for 23 stalls under the ground rent without being obtained valuation reports from the Valuation Department.	Action is being taken.	Action should be taken as per valuation reports of the Valuation Department.

3.3 Human Resources Management

Audit Observation	Comment of the Accounting Officer	Recommendation
Vacancies and Excesses in the Cadre		
Approved cadre and actual cadre of the Sabha as at 31 December 2019 were 76 and 58 respectively and 18 staff vacancies had not been filled up to now.	Action will be taken to fill vacancies.	Relevant action should be taken to fill vacancies.

3.4 Matters in Contentious Nature

Audit Observation	Comment of the Accounting Officer	Recommendation
An increase in the cash balance during the preceding years amounting to Rs. 242,989 had been debited to accumulated fund in the year under review without shown in the cash verification of the last year, thus accumulated fund had been understated.	Cash balance of the year 2018 had been shown as double, it had been rectified in the accumulated fund account in the year 2019.	It should be rectified in relevant accounts in due periods.

3.5 Assets Management

3.5.1 Failure to recording Assets

Audit Observation	Comment of the Accounting Officer	Recommendation
Values of 17 vehicles which are being used by the Sabha had not been assessed and brought to financial statements.	Action is being taken.	Ownership should be transferred.

3.5.2 Failure to confirm the Security of the Assets

Audit Observation	Comment of the Accounting Officer	Recommendation
Two water bowser vehicles and trailers and 01 gully bowser had not been registered in the Department of Motor Traffic and revenue license thereof had not been obtained from the Divisional Secretariat and insurance cover also had not been obtained.	It had been obtained without any documents in the period of resettlement. Therefore, it could not be registered.	It should be registered and insurance cover should also be obtained.

3.5.3 Failure in carrying out Maintenance and Repairing

Audit Observation	Comment of the Accounting Officer	Recommendation
----- Tractor bearing No. RB – 9600 had been damaged and kept in unusable condition since the month of August 2019.	----- Estimate had been obtained for repair and submitted for recommendation of engineer.	----- Action should be taken to utilize.

3.6 Procurement

3.6.1 Contract Administration

Audit Observation	Comment of the Accounting Officer	Recommendation
----- Capital work schemes under decentralized and provincial specified fund had been completed by the contractor with period extensions without being completed within the contract period. However, period extension had not been given on time due to non-receiving recommendation of the Commissioner of Local Government. Further, penalties for delays had not been recovered.	----- Payment is being made by recovering penalties when making final payment.	----- Penalties should be recovered for delay.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comment of the Accounting Officer	Recommendation
----- As the work allocated in the budget in the year under review had been changed, development work schemes had not been carried out in the area of Vinayapuram and Karanthai.	----- Development work scheme had not been implemented by using other fund sources except the fund of the Sabha in the area of Vinayapuram, thus works had not been carried out by using the fund of the Sabha.	----- Works should be carried out as per allocations of the budget.