

Venkacheddikulam Pradeshiya Sabha

Vavuniya District

1.1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to Audit on 28 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 of the Sabha on 22 June 2020 and 22 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 Venkacheddikulam 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 Observation	Recommendation	Comment of the Accounting Officer
The value of fixed assets Rs. 134,070,423 in the financial statements were not shown the value of the lands separately and where has assets should be made the depreciation was not provision of depreciation for the assets.	Provision of depreciation should be made for the assets.	Will estimate the provision of depreciation after valuated the assets.

(b) Lack of Written Evidences for Audit

Audit Observation	Recommendation	Comment of the Accounting Officer
No land title deeds have been submitted for the audit of land buildings valued at Rs. 78,344,357 shown in the financial statements.	Certificates of evidences should be submitted to the audit.	Action has been Proceeding to collect the licenses for land and buildings.

1.4 Non-compliances

1.4.1 Non-compliances with Laws, Rules, Regulations and Management Decisions

Non-compliances with Laws, Rules, Regulations and management decisions are given below.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliances	Recommendation	Comments of the Accounting Officer
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(a) Section 93 of Pradeshiya Sabhas Act No. 15 of the year 1987	Activities of waste management had not been carried out by the Sabha.	Activities of waste management should be taken as per the provision of act.	Garbage could not be collected in a large amount due to lack of vehicle facilities and staff.
(b) Sections XI and XII of Interim Provisions of Law enacted under the Local Authorities Ordinance No. 6 of 1952	An annual plan has not been prepared in respect of solid waste management.	Waste management should be included in the annual plan	Appropriate action will be taken to develop and implement an annual plan in relation to solid waste management.
(c) National Environmental Act No. 47 of 1980	An appropriate action has not been taken in respect of solid Waste management.	Should proceed in terms of instructions of Act.	This will be taken into consideration and action will be taken in the near future.
(d) Pradeshiya Sabhas (Financial and Administrative) Rule of the year 1988			
(i) Rule No. 32	Lack of assessment record related to property tax assessment for the year under review.	Actions should be taken according to the disciplinary action of the Pradeshiya Sabhas.	Action will be taken to maintain the record in case the value of the assets of the Sabha is assessed.
(ii) Rule No. 33	An estimate of the tax on property has not been made.	Actions should be taken according to the disciplinary action of the Pradeshiya Sabhas.	Action should be taken to collect the property tax after obtaining the assistance of the Pricing Department.

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| (iii) | Rule No. 218 | Lands and buildings have not been inspected by the trustee at least once a year | Actions should be taken according to the disciplinary action of the Pradeshiya Sabhas. | Action will be taken to inspect |
| (e) | Provincial Financial Regulation No.163.3 | No action has been taken to recover the advance arrears of Rs.12,999 | Appropriate actions should be taken to ensure financial regulation. | Actions will be taken to rectify. |

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. 6,431,734 and also compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 8,723,209.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Arrears of Revenue

Information on the estimated revenue, billed 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	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	-	-	-	-	-	-	-	-
(ii) Rentals	10,025,675	11,150,640	9,372,356	1,778,284	9,022,175	9,223,458	7,959,558	1,263,900
(iii) License Fees	2,571,500	1,441,665	1,441,665	-	876,550	913,155	913,155	-
(iv) Other Revenue	5,406,500	3,664,067	3,664,067	-	6,983,500	7,069,704	2,943,919	4,125,785
Total	18,003,675	16,256,372	14,478,088	1,778,284	16,882,225	17,206,317	11,816,632	5,389,685

2.2.2 Performance in Collection of Revenue

Audit Observation	Recommendation	Comment of the Accounting Officer
Action had not been taken by the Sabha to recover a sum of Rs.8,022,674 from revenue debtors even as at 31 December 2019.	Action should be taken by the Sabha to recover amount receivable from revenue debtors.	Action is being taken to recover arrears of Revenue.

2.2.3 Rentals

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) Arrears of Vehicle rents Rs. 1,433,837 has not been recovered for last 4 years in Sabha's region	Action should be taken to recover the vehicle rent arrears.	Legal action is being taken.
(b) Arrears of shop rents Rs.193,073 has not been recovered for 2 years in the Sabha's region.	Action should be taken to recover the shops rent arrears.	Legal action is being taken.

2.2.4 License Fees

Audit Observation	Recommendation	Comment of the Accounting Officer
Should have been get the approval before construct the building according to Section 47 from the Pradeshiya Sabhas Act No. 15 of 1987.However building construction approval has not been given for 3,208 housing project implemented in the region of the Predeshiya Sabha.	According to the Pradeshiya Sabha Act, should be acted.	Actions will be taken to provide the building construction approval.

2.2.5 Court Fines

Audit Observation	Recommendation	Comment of the Accounting Officer
The value of court fine total Rs. 1,397,366 has to be recovered from the Chief Secretary of the Provincial Council and all authorities as at 31 December 2019.	Appropriate actions should be taken to collect the court fines.	We have requested the court fines in the relevant year, however until now we have not received.

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

Recommendation

Comment of the Accounting Officer

By-laws were required to be enacted for 28 main functions in terms of section 126 of the Pradeshiya Sabhas Act. But 19 functions of by-laws has not been enacted even by 31 December 2019.

By-laws should be enacted in respect of main functions in terms of section 126 of the Pradeshiya Sabhas Act.

By-Laws of Chapter I-IX approved by the Northern Provincial Council has been approved by our Sabha and published in the Gazette. Actions will be taken to publish other subjects in the Gazette.

(b) Action Plan

Audit Observation

Recommendation

Comment of the Accounting Officer

An annual action plan had not been prepared in respect of activities to be implemented by the Sabha.

An annual action plan should be prepared by the Sabha.

Action has been taken to prepare the Sabha's action plan.

(c) Delays in completion of Activities

Delays were observed in the performance of the following activities.

S. No	Activities	Estimate Cost	Will be Start date	Started Date	As at 31 December 2019 Expenditures	Reason for Delay
1.	Sabha Road repair	Rs. 1,300,000	20.11.2019	23.12.2019	Rs. 1,145,686	Adequate income has been received late availability and subsequent rainy season
2.	Sabha tar road repairs	1,000,000	20.11.2019	30.11.2019	997,781	Adequate income has been received late availability and subsequent rainy season

3.	Sabha building maintenance and repair	800,000	01.01.2019	28.03.2019	12,005	Adequate income has been received late availability
4.	Maintenance of Sabha's land	300,000	-	-	-	Adequate income has been received late availability
5.	PSDG – Works	15,770,000	01.04.2019	21.05.2019	13,060,738	Funding was provided late.
6.	Construction of own buildings of Sabha	1,500,000	-	-	-	Adequate income has been received late availability
7.	CBG - Works	500,000	-	-	-	Funds not provided
8.	Construction of Public well and tube well	300,000	-	-	-	Adequate income has been received late availability
9.	Cemeteries and play ground repairs	300,000	13.08.2019	23.12.2019	300,000	Adequate income has been received late availability and subsequent rainy season

(d) Solid Waste Management

The following deficiencies were observed in relation to solid wastes.

Audit Observation	Recommendation	Comment of the Accounting Officer
(i) Environmental license has not been obtained for the places of disposing garbage.		Action had been taken to obtain license for respective places.
(ii) Garbage has not been categorized separately and collected.	A solid waste management should be established properly and actions should be taken to regularize wastes separately and subject to reuse and Recycle them and produce a natural fertilizer by implementing without being affected the environment.	Actions have been taken to separate and collect the garbage.
(iii) A work plan has not been implemented to categorize the places where garbage dumping by Sabha's		A plan for sorting garbage can be set up when financial resources and vehicle facilities are available
(iv) No action had been take to collect the garbage by categorize separately and put in the bags from stalls and residents in the region of the Sabha's.		Action will be taken regarding this in the future.
(v) Training in respect of solid waste management has not been provided to officers. Action had not been taken in this regard.		Training is being providing

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comment of the Accounting Officer
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(a) Since Sabhas has not appointed suitable contractor the Sabhas to be expended Rs. 927,904 for court expenses.	Action should be taken to select a relevant contractor.	Some work related problems the contract was seized by the Honorable Governors advise. The contractor launched a complaint and therefore course case office expenses occurred.
(b) As per the disciplinary action No. NP / 02/7 / IN / 24 dated 09 March 2017 of the Deputy Secretary (Administration/ Disciplinary Officer) of the Northern Province, Although the amount of Rs. 1,573,039 has to be paid to the Sabhas by the former additional Secretary of the Sabhas before 31 December 2017. No action has been taken to collect until 31 December 2019.	Action should be taken to recover in the due period.	A resolution in this regard was taken by the Sabha and forwarded to the Honorable Governor. A letter has been sent to the Commissioner of Local Government on 07.05.2019 by the Deputy Chief Secretary requesting a re-investigation.
(c) A fine Rs. 3,265 was paid for 08 vehicles while obtaining the tax revenue licensee return for the year for the vehicles used by the Sabha.	Action should be taken to obtain a vehicle tax license in a timely manner and fines should be levied from the officer in charge.	Penalties were imposed for vehicles not being sent for transfer of ownership and for some vehicles to be found faulty.

3.3 Human Resources Management

3.3.1 Vacancies

Audit Observation	Recommendation	Comment of the Accounting Officer
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As at 31 December 2019, 26 vacancies in the Sabha had not been filled.	Vacancies should be filled within the due period.	The request has been sent to the Deputy Chief Secretary– Administration of the Northern Province.

3.4 Transactions of Contentious Nature

Audit Observation	Recommendation	Comment of the Accounting Officer
The NP VB 0525 motorcycle of the Council was completely repaired on 28th December 2016 at a cost of Rs. 89,295 and was found to be in disrepair again on 21st September 2017 and again repaired in 2019 at a cost of Rs. 29,650 but until now not in a condition for use.	Action should be taken to recover the over payment.	Since this vehicle was damaged and repaired in 2019 again repaired without cost in the same garage where was repaired earlier and presently in use.

3.5 Assets Management

3.5.1 Failure in carrying out Maintenance and Repairing

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) No action has been taken till date to ensure that 08 vehicles which are not in use by the Sabha are put into use following the proper procedure.	Action should be taken to repair for use or disposal.	Necessary actions have been taken to repairs or disposed.
(b) The 02 Patient beds were purchased for Ayurvedic hospitals use in the May 2017 at the cost 29,236 was not in use until February 2020.	Actions should be taken to make it usable	An action has been taken to use it.
(c) The children's park on the Sabha premises has been in disrepair and unmaintained for more than 07 years and no constructive actions have been taken to use the children's park.	Appropriate actions should be taken to use the children's park	Actions will be taken to maintain and use the children's park.

3.5.2 Assets not acquired

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) No disclosures have been made regarding the lands belonging to the Sabhas as well as the lands belonging to the Sabhas has not been duly inspected and the ownership of the lands has not been confirmed.	Actions should be taken to obtain deed to the land	Actions has been taken to obtain title deeds for the lands.

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| (b) | As the ownership of 09 vehicles found in the use of the Sabha has not been transferred to the name of the Pradeshiya Sabha, there for the usefulness of their use, other repairs and maintenance costs cannot be satisfactorily accepted in the audit. | Action should be taken to transfer the ownership of 09 vehicles to the name of the Sabha. | Action is being taken against vehicles whose ownership has not been transferred |
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3.5.3 Idle/Underutilized Assets

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
The building of the council's shopping malls, the children's park and the library building were found to be unused and no constructive steps have been taken to use them.	Actions should be taken to make it usable.	Actions has been taken to use it.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
(a) The difference between the budget income and the actual income Rs. 180,255 and Rs. 3,850,576 was due to the fact that the budget income estimate for the year was not properly prepared and the assessment was not properly planned and performed.	Budget should be used as an effective control tool	The personal emoluments of estimate budget revenue is being prepared basic re-impressed of approved all personal expenditure. The difference Rs. 3,850,576 was re-impressed un-filled vacancies of 2019.
(b) The difference between the budgeted expenses and the actual expenses ranged from Rs. 8,000 to Rs. 4,754,349 were as budget Expenditure Estimates for the year are not properly prepared and the assessment is not properly planned and executed.	Budget should be used as an effective control tool	The personal emoluments of estimate budget revenue is being prepared basic re-impressed of approved all personal expenditure. The difference Rs. 4,754,349 was un-filled vacancies expense and un-filled vacancies direct payments, uniform & trainer's payments of 2019.

4.2 Internal Audit

Audit Observation

Although the Internal Auditor has been appointed to streamline the proceedings of the Sabha no constructive actions have been taken for the internal audit observations for the year under review.

Recommendation

Appropriate action should be taken in relation to internal audit observations

Comment of the Accounting Officer

The relevant matter is being brought to the notice of the concerned officers regarding the internal audit observations.