

Vavuniya South Sinhala Pradeshiya Sabha

Vavuniya 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 of the Sabha on 20 June 2020 and 23 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 Vavuniya South Sinhala 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 Policies

| Audit Observation | Recommendation | Comment of the Accounting Officer |
|--|--|--|
| ----- | ----- | ----- |
| Accounting policies adopted in preparing the financial statements had not been disclosed by the Sabha in the financial statements. | Accounting policies should be disclosed in financial statements. | No Comments. |

(b) Accounting Deficiencies

| Audit Observation | Recommendation | Comment of the Accounting Officer |
|--|---|--|
| ----- | ----- | ----- |
| (i) 150 acres of land, 13 number of shops and 03 vehicles of Pradeshiya Sabha were not taken to account. | All assets should be taken to accounts. | No comments. |

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|---|--|--------------|
| (ii) 05 fixed deposits interest of value of Rs. 3,600,000 has not been taken to accounts. | Should identify the fixed deposits interest for the year and included into the accounts. | No comments. |
|---|--|--------------|

(c) Accounts Receivable and Payable

| Audit Observation ----- | Recommendation ----- | Comment of the Accounting Officer ----- |
|--|--|---|
| (i) As at 31 December 2019 arrears stamp duty was Rs. 672,900 and it was included arrears of stamp duties Rs. 372,900 for the last 01 to 04 years. | Action should be taken to recover the receivables balance. | No comments. |
| (ii) As at 31 December 2019 arrears vehicle hire charge was Rs. 328,982 and it was included arrears of vehicle hire charges Rs. 260,007 for the last 01 to 09 years. | Action should be taken to recover the receivables balance. | No comments. |
| (iii) As at 31 December 2019 arrears rent revenue was Rs. 149,150 and it was included arrears of rent revenue Rs. 103,350 for the last 01 to 03 years. | Action should be taken to recover the receivables balance | No comments. |
| (iv) As at 31 December 2019 arrears advance was Rs. 15,000. It was left more than 03 years as a arrears | Action should be taken to recover the receivables balance | No comments. |

(d) Lack of Written Evidences for Audit

| Audit Observation ----- | Recommendation ----- | Comment of the Accounting Officer ----- |
|--|---|---|
| Rs. 91,176,811 of 02 accounts subjects were not submitted the evidence for related to the audit. | Should produce the evidence confirming the account balance in the financial statements. | No comments. |

1.4 Non-compliances

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

| Laws , rules , regulations and management decisions to address | Non-compliance | Recommendation | Comments of the Accounting Officer |
|---|---|---|---|
| (a) Pradeshiya Sabha Act No. 15 of 1987 | | | |
| - Section 126(X)(b) | No licenses were issued to tourist traders in the area. | Action should be taken to issue licenses to traders. | No comments. |
| (b) Pradeshiya Sabhas (Financial and Administrative) Rule of the year 1988 | | | |
| - Rule 5 (7) | Had not been conducted adequate internal audits of finance and warehouse. | Sufficient internal audit should be carryout of finance and storage activities. | No comments. |
| - Rule 59 | No survey of the industry done at the beginning of each year. | Relevant survey lists should be prepared in an accurate and timely manner as per the rules. | No comments. |
| - Rule 68 | No action was taken to identify and levy a tax for undeveloped lands in the sabha area. | Action should be taken to levy the relevant taxes as per the rules. | No comments. |
| Rule 217 | According to Pradeshiya Sabha, 46 no documents of the land and buildings of remained vibrant. | Should be kept register documents of land and buildings. | No comments. |

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. 5,054,822 and also compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs.4,544,628.

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 | 2,578,600 | 1,323,718 | 1,323,718 | 478,132 | 1,500,000 | 1,495,695 | 1,420,875 | 535,300 |
| (iii) License Fees | 385,000 | 1,425,725 | 1,425,725 | - | 1,610,000 | 1,149,200 | 1,149,200 | - |
| (iv) Other Revenue | 4,383,000 | 5,444,639 | 6,611,047 | 5,607,546 | 4,176,000 | 3,547,005 | 5,927,758 | 4,008,624 |
| Total | | | | 6,085,678 | | | | 4,543,924 |

2.2.2 Court Fines and Stamp Duties

Audit Observations

Appropriate action has not been taken to collect the court fine Rs. 4,934,646 and Stamp duty Rs. 672,900 of Northern Provincial Council recoverable as at 31 December 2019.

Recommendation

Action should be taken to recover the receivables in the due period.

Comments of the Accounting Officer

No comments.

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 ----- | Comments of the Accounting Officer ----- |
|---|---|--|
| By-laws were required to be enacted for 30 main functions in terms of section 126 of the Pradeshiya s Act. But functions of by-laws has not been enacted even by 31December 2019. | Action should be taken to enact by-laws for appropriate purposes. | No comments. |

(b) Action Plan

| Audit Observation ----- | Recommendation ----- | Comments of the Accounting Officer ----- |
|---|---|--|
| An action plan had not been prepared for the year under review. | Action should be taken to prepare an action plan. | No comments. |

(c) Failure to obtain the desired output level

| Audit Observation ----- | Recommendation ----- | Comments of the Accounting Officer ----- |
|--|--|--|
| The budget reservation for construction work Rs. 25.94 million. Out of 29 construction projects, only 8 projects was completed and 8 projects construction work has not been completed and also 13 projects are stop for short period. | Management must work efficiently to achieve the desired output levels. | No comments. |

(d) Solid Waste Management

| Audit Observation ----- | Recommendation ----- | Comments of the Accounting Officer ----- |
|--|--|--|
| The Pradeshiya Sabha had not formulated a formal arrangement for collection, segregation and recycling of solid waste within the jurisdiction of the Pradeshiya Sabha. | Management should focus on solid waste management. | No comments. |

3.2 Management Inefficiencies

| Audit Observation ----- | Recommendation ----- | Comments of the Accounting Officer ----- |
|--|--|--|
| Although the council had 30 vehicles and machinery, only one driver was attached to the council to drive all those vehicles. | An appropriate program should be designed and implemented to ensure the efficient and effective use of vehicles and machinery. | No comments. |

3.3 Human Resource Management

| Audit Observation ----- | Recommendation ----- | Comments of the Accounting Officer ----- |
|--|---|--|
| No action has been taken to fill the 11 vacancies in the Pradeshiya Sabha. | Should be taken action the fill the vacancies | No comments. |

3.4 Operational Inefficiencies

| Audit Observations ----- | Recommendation ----- | Comments of the Accounting Officer ----- |
|--|---|--|
| (a) The Pradeshiya Sabha, which had been developed in terms of Section 134 (1) of the Pradeshiya Sabha Act No.15 of 1987, had not taken actions to publish and impose the necessary provisions for the assessment and collection of assessment taxes . | The Pradeshiya Sabha, which has been developed in terms of Section 134 (1) of the Act, should take action to publish and make the necessary provisions for the imposition and collection of assessment taxes. | No comments. |

| | | |
|--|--|--------------|
| (b) As a result of not taken action to obtain the vehicle revenue licenses of 22 vehicles belonging to the Pradeshiya Sabha on time, a sum of Rs. 24,255 fine had to be paid. | Action should be taken to obtain vehicle revenue licenses in a timely manner and the fines to be paid for delays should not be a burden to the Government. | No comments. |
| (c) Accordance with the two contracts implemented by the Predeshiya Sabha value of Rs. 1,000,000 in paragraph 1.13 did not take any action to recover the Rs. 100,000 of 204 days maximum late fee. | Delayed fees should be charged as approved. | No comments |
| (d) The Pradeshiya Sabha has not been taken action to acquire the ownership of the tube well constructed in the drugs field land at the cost or Rs. 396,550 in the year 2018. | Action should be taken to take over the legal ownership of the land to the Pradeshiya Sabha. | No comments |
| (e) For the construction of two wells at Halambagaswewa Rs. 1,177,796 million had been spent for the construction in relation to BOQ no. 10 to 15 the work items for 125mm , but used 100mm wide cement bricks instead of use 125 mm wide cement bricks. However, up to the fact Rs. 355,415 had been paid for the 125mm wide cement bricks. | Construction should be done according to the required quality. | No comments |

3.5 Asset Management

3.5.1 Failure to carrying out Maintenance and Repairing

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|---|--|---|
| No action had been taken to repair and use 08 vehicles owned by the Pradeshiya Sabha which that could be repaired and used. | Action must be taken to use repaired vehicles effectively and efficiently. | No comments. |

3.5.2 Assets not acquired

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|--|---|
| Action has not been taken to solve the problem and acquire the 68 blocks of 150 acres land and the ownership of 10 vehicles owned by Pradeshiya Sabha. | Urgent action should be taken to get the clear ownership of the assets to the Sabha. | No comments |

3.5.3 Idle/Underutilized Assets

| Audit Observations | Recommendation | Comments of the Accounting Officer |
|--|--|---|
| (a) 10 vehicles belong to Pradeshiya Sabha were left idle assets for 01 to 08 year. | Actions should be taken to ensure that assets are not wasted and should use efficiently and effectively. | No comments |
| (b) In the year 2013, Two weekly markets consulted at a cost of Rs. 2,298,816 had not been used until 24 April 2020. | Actions should be taken to ensure that assets are not wasted and should use efficiently and effectively. | No comments |

3.5.4 Utilization of Vehicle

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|--|---|
| There were no registration certificates confirming the ownership of 09 vehicles belonging to the Pradeshiya Sabha. | Action should be taken to obtain registration certificates confirming the ownership. | No comments |

3.6 Procurement

3.6.1 Procurement Plan

| Audit Observation ----- | Recommendation ----- | Comment of the Accounting Officer ----- |
|--|--|---|
| No procurement plan had been prepared for the year under review. | Should be prepared the procurement accordance with procurement schedule. | No comments |

4. Accountability and Good Governance

4.1 Internal Audit

| Audit Observation ----- | Recommendation ----- | Comment of the Accounting Officer ----- |
|---|--|---|
| Has not been proper prepared Audit plan in the year under review. | Internal audit plan should be papered in the due period. | No comments |

4.2 Unresolved observations and unanswered audit queries

| Audit Observations ----- | Recommendation ----- | Comments of the Accounting Officer ----- |
|--|--|--|
| (a) Action has not been taken to recover the parking charges of three Wheeler parking palace in the place of irattaiperiyakulam. | Should take action to recover the parking charges of vehicle parking places. | No comments |
| (b) Charges could not be levied for several years due to lack of proper maintenance of 204 tube wells. | Tube wells should be maintained properly. | No comments |