

Vavuniya North 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 Sabhas 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 Vavuniya North 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) Presentation of Financial Statements

Audit Observation	Recommendation	Comment of the Accounting Officer
As per Sub section 16(2) of the National Audit Act No. 19 of 2018, an annual performance report had not been presented along with the financial statements.	It should be adhered to the National Audit Act.	The Annual Performance Report will be submitted with the financial statements in future.

(b) Accounting Deficiencies

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
(i) The value of the assets should be assessed and disclosed in the financial statements.	The value of the assets should be assessed and disclosed in the financial statements.	The value was not expressed in the financial statements as it was not valued. Will be disclosed and adjusted in the financial statements for the next review year.
(ii) Rs.214,170,673 worth of fixed assets shown in the financial statements and the value of the lands is not shown separately. Depreciation arrangements have not been made for the assets to be depreciated.	Depreciation arrangements should be made for the assets.	Depreciation arrangements will be disclosed and adjusted in the financial statements for the next year.
(iii) The fixed deposit interest income for the year under review was shown in the financial statements by the Sabha Rs.785,469. Although, amount of Rs. 3,319,406 as fixed deposit interest income for the year under review but Rs. 4,104,875 as shown in the financial statements.	Deposit interest for the appropriate period should be shown in the appropriate amount in the financial statements.	The bug in the financial statements for the next review year will be revealed and rectified.

(c) Lack of Written Evidences for Audit

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
Evidence for fixed assets worth Rs.111,229,898 shown in financial statements has not been submitted for audit.	Certifying evidences should be submitted to audit.	Evidence for fixed assets worth a total of Rs.111,229,898 shown in the financial statements will be submitted for audit in due course.

1.4 Non-compliances

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

	Reference to Laws, Rules, Regulations and Management Decisions	Non-compliances	Comments of the Accounting Officer	Recommendation
(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 carried out in term of provisions of act.	Disposal of household waste within the territory has not yet been carried out. Proper waste management is followed in business establishments and public institutions and on the streets.
(b)	Sections XI and XII of Interim Provisions of Law enacted under the Local Authorities Ordinance No. 6 of 1952.	An annual plan had not been prepared relating the solid waste management.	Appropriate action should be taken as per the provision of act.	Waste management is carried out under a separate financial allocation in the annual budget. Actions will be taken to prepare an annual action plan for the coming years.
(c)	National Environmental Act No. 47 of 1980	Actions had not been taken in respect of solid waste management.	Should act in terms of instructions of Act.	Actions are being taken to work with the National Environmental Authority on waste management.

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| (f) | Financial Regulations of the Democratic Socialist Republic of Sri Lanka
Financial Regulation 891 | Register of security money had not been maintained by the Sabha. | Action should be taken as per the financial regulation. | It is advised to keep a record of the information. |
| (g) | Paragraph 03 of Public Administration Circular No. 30/2016 of 29 December 2016 | Fuel consumption should be checked once a year but no action has been taken. | Should act as per the instruction of circulars. | Actions are being taken to carry out fuel testing for vehicles |
| (h) | Treasury Circular No. IAI/2002/02 of 28 November 2002 | The record of the computer and its components is not maintained by the Sabha. | Should act as per the instruction of circulars. | Actions are being taken to maintain a record of the computer and its components. |
| (i) | Asset Management Circular No. 01/2017 of 28 June 2017 of the Ministry of Finance and Mass Media | Records relating to immovable property are not maintained. And no action has been taken to document all the assets of the Sabha. | Should act as per the instruction of circulars. | Actions are being taken to maintain a stable property record. |

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.14,544,213 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs.12,014,163.

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.
Rates and Taxes	-	-	-	-	-	-	-	-
Rentals	4,843,860	7,573,871	6,394,566	1,179,305	5,083,000	8,193,747	5,428,264	2,765,483
License Fees	401,000	300,591	300,591	-	940,000	793,166	793,166	-
Other Revenue	12,620,500	17,694,149	12,236,880	5,457,269	9,237,000	11,709,798	5,902,629	5,807,169
Total	17,865,360	25,568,610	18,932,036	6,636,574	15,260,000	20,696,710	12,124,058	8,572,652

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. 23,581,351 receivable from revenue debtors even as at 31 December 2019.

Action should be taken by the Sabha to recover revenue in due periods.

The government departments that are to be acquired through the capital program are currently being acquired and actions are being taken to acquire other government departments.

2.2.3 Rentals

Audit Observation

Recommendation

Comment of the Accounting Officer

(a) Rent arrears of Rs. 1,804,790 have not been collected by the Sabha for the last 05 years.

Action should be taken by the Sabha to recover the arrears.

Action has been taken to recover the outstanding rent.

(b) Land rent arrears of Rs. 348,335 within the boundaries of the council have not been collected by the Sabha for the last 02 years.

Action should be taken by the Sabha to recover the arrears.

Action has been taken to recover the arrears.

(c) Outstanding vehicle rent arrears of Rs. 272,120 have not been collected by the Sabha.

Action should be taken by the Sabha to recover the arrears.

Action has been taken to recover the arrears.

2.2.4 Lease on the Trade License

Audit Observation	Recommendation	Comment of the Accounting Officer
Lease arrears of Rs. 12,583 have not been collected by the Sabha around for the last 02 years.	Action should be taken by the Sabha to collect the lease arrears in the due period.	Legal action will be taken

2.2.5 License Fees

Audit Observation	Recommendation	Comment of the Accounting Officer
No action has been taken by the Sabha to issue business licenses to 39 businesses.	Action should be taken by the Sabha to issue a business license	Action will be taken to issue the permit after receiving the recommendation from the Public Health Medical Examiner.

2.2.6 Other Revenue

Audit Observation	Recommendation	Comment of the Accounting Officer
No constructive actions have been taken to collect fines in connection with shop rent arrears.	Actions should be taken to collect the fine.	Action will be taken to levy fines in future.

2.2.7 Court Fines and Stamp Duties

(a) Court Fines

Audit Observation	Recommendation	Comment of the Accounting Officer
The value of court fine total Rs. 12,956,781 has to be recovered from the Chief Secretary of the Provincial Council and all authorities as at 31 December 2019.	Action should be taken to recover court fines in due periods.	Letters requesting receipt of court indictment have been sent.

(b) Stamp Duties

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
The value of stamp duties total Rs. 400,000 has to be recovered from the Chief Secretary of the Provincial Council and all authorities as at 31 December 2019.	Action should be taken to recover stamp fees in due periods.	Letters of request for stamp duty have been sent.

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 s 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 s Act.	All by-laws issued by the Northern Provincial Council have been adopted. Actions are being taken to implement the remaining by-laws.

(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.	An action plan will be prepared in the near future for the activities to be carried out by the Sabha.

(c) **Failure to achieve the expected outcomes**

Audit Observation	Recommendation	Comment of the Accounting Officer
An amount of Rs. 11,000,000 was estimated for the operation performance and Rs. 1,879,154 was spent but the expected output of Rs. 9,120,846 could not be achieved.	The identified activities should be fully accomplished	Due to non-availability of the estimated revenue mentioned in the budget, they have not been able to fully implement the identified measures. No further funding was received.

(d) **Solid Waste Management**

The following deficiencies were observed in respect of solid wastes.

Audit Observation	Recommendation	Comment of the Accounting Officer
(i) Environmental license had not been obtained for the places of disposing garbage.	A solid waste management should be established properly and actions should be taken to regularize wastes	Environmental permits will be issued after the surveys for the lands are carried out and the relevant documents are issued.
(ii) Daily street garbage collection times have not been fixed and the public has not been notified.	separately and subject to reuse and Recycle them and produce a natural fertilizer by implementing	People will be notified in the near future regarding the time of garbage collection on the streets.
(iii) Sanitary labourers had not been subjected to medical test annually	without being affected environment.	Annual medical examinations for health workers will be conducted in the near future.
(iv) The Sabha has not been used approved Sanitary methods for disposal of waste		Steps are being taken to use approved sanitation practices for waste disposal.
(v) No action has been taken by the Sabha to prevent livestock from coming to the garbage disposal lands.		Measures will be taken in the future to prevent livestock from coming to garbage disposal lands.
(vi) No training has been imparted to the officers on waste management.		Training for officers on waste management will be provided in the near future.
(vii) The importance of environmental management has not instructed to school students and the general public by the Sabha.		Public will be briefed the importance of environmental management by School students in the coming years.

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| (viii) | No action has been taken to produce organic manure using waste of the Sabha. | Steps will be taken in the future to produce organic manure using waste. |
| (ix) | An interim law has not been enacted for solid waste management. | The Interim Act was not enacted as the Council had not enacted by-laws relating to solid waste management. |
| (x) | No waste management plan was found. | The project will be implemented in the near future. |

(e) Sustainable Development Goals

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
No actions had been in respect of preparedness of the Sabha to achieve sustainable development targets in terms of the Circular No. A.S.General/2018/61 of 23April 2018.	Action should be taken as per instructions of the circular.	Appropriate issues will be explored and actions will be taken in the near future to achieve sustainable development goals.

3.2 Management Inefficiencies

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
(a) Sum of amount Rs.961, 133 was paid as court costs for not appointing a suitable contractor by the Sabha.	Actions should be taken to appoint a suitable contractor.	Actions will be taken in the future to select the appropriate contractor and reduce court costs
(b) A fine of Rs. 4,065 was paid for 12 vehicles while obtaining the income tax license for the Sabha's vehicles in the year under review.	Actions should be taken to obtain a vehicle tax license in the due period and collect fines from the responsible officer.	Actions will be taken to obtain the tax license in due course without paying penalty in future.
(c) Ten fixed deposit balances of the Sabha valued at Rs.37,564,503 for the year ended as at 31 December 2019 had remained as deposits continuously without being used for intended purposes.	Fixed deposits should be used for intended purposes	In the years 2004 and 2005, 06 fixed deposits were started without any purpose. The other 04 fixed deposits were not terminated due to non-fulfillment of purpose.

3.3 Human Resources Management

	Audit Observation	Recommendation	Comment of the Accounting Officer
(a)	Nine staff vacancies of the Sabha had not been filled as at 31 December 2019.	Personnel vacancies should be filled in the due period.	The request has been sent to the Deputy Chief Secretary of the Northern Province.
(b)	No meaningful actions had been taken to recover loans totaling Rs.94,384 paid to 02 officers of the Sabha for over the last 06 years.	Action should be taken to recover loans in due period regularly.	Actions are being taken to contact the concerned persons.

3.4 Operating Inefficiencies

	Audit Observation	Recommendation	Comment of the Accounting Officer
(a)	Has not been calculated relevant tax on property	Should be calculated the relevant property tax.	Will be taken to recover the calculation of the property tax after received the details of the land survey plan and owners.
(b)	18 contract works valued at Rs.1,800,000 submitted by the Sabha for the year have not been completed in the year under review.	Action should be taken to complete the work within the contract period.	Actions will be taken to avoid delays in contract work.

3.5 Assets Management

3.5.1 Failure in carrying out Maintenance and Repairing

	Audit Observation	Recommendation	Comment of the Accounting Officer
	No actions had been taken to repair and use a motorcycle bearing No. EP HR 2742 and 2 three-wheelers bearing No. NP QR 6033 of the Sabha for a long period in a usable manner up to now.	Appropriate action should be taken to dispose or repair the vehicles of uses belong the Sabha.	The request has sent Chief Secretary for the approval to destroy the motorcycle numbered EP HR 2742 of the Sabha. Actions are being taken to repair the three wheeler No. NP QR 6033.

3.5.2 Assets not acquired

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) According to the financial statements presented, Disclosures had not been made in respect of land and buildings belonging to the Sabha and a register in respect of land and buildings had not been maintained properly. Ownership of such assets belonging to the Sabha had not been certified by verifying land and buildings regularly as well.	Action should be taken to transfer the ownership of the lands belonging to the Sabha to the name of the Sabha.	Actions will be taken to maintain disclosures and records relating to church land buildings and to ensure that land buildings are duly inspected and verified in the future.
(b) No actions had been taken to transfer ownership of 04vehicles donated to the Sabha.	Action should be taken to transfer ownership to the Sabha.	Action will be taken in the future to transfer the ownership of the said 04 vehicles to the Sabha.

3.5.3 Idle/Underutilized Assets

Audit Observation	Recommendation	Comment of the Accounting Officer
No actions had been taken by the Sabha to use a bus stand constructed at a cost of Rs. 26,137,591 and handed over to the Sabha on 12 August 2011 by Emergency Northern Recovery project up to now.	Actions should be taken to use the constructed bus stand for the intended purpose.	Since the bus stand was located in an unsuitable place the use of people is low. Appropriate action will be taken in the near future regarding the bus stand.

3.6 Procurement

3.6.1 Procurement Plan

Audit Observation	Recommendation	Comment of the Accounting Officer
The procurement plan has not been prepared despite the purchase of Rs.2,588,460 during the year under review.	Action should be taken to prepare a procurement plan	Procurement plan will be prepared and procurement activities will be carried out in the coming period.

4. Accountability and Good Governance

4.1 Budgetary Control

	Audit Observation	Recommendation	Comment of the Accounting Officer
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(a)	The difference between the budget income and the actual income Rs.100,409 to Rs.5,781,190 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	It has been advised to prepare the budget by making a proper comparison in the coming times
(b)	The difference between the budgeted expenses and the actual expenses ranged from Rs.1,038 to Rs.5,029,511 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	It has been advised to prepare the budget by making a proper comparison in the coming times

4.2 Internal Audit

	Audit Observation	Recommendation	Comment of the Accounting Officer
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	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.	Appropriate action should be taken in relation to internal audit observations	The relevant matter is being brought to the notice of the concerned officers regarding the internal audit observations.