

Pothuwil Pradeshiya Sabha
Ampara District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2016 had been submitted to Audit on 24 March 2017 while Financial Statements relating to the preceding year had been submitted on 10 March 2016. The Auditor General's Report relating to the year 2016 was issued to the Secretary of the Sabha on 29 September 2017.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters referred to in Paragraph 1.3 of this report, the financial statements give a true and fair view of financial position of the Pothuwil Pradeshiya Sabha as at 31 December 2016 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Lack of Evidence

Evidence indicated against the following each item of accounts had not been furnished to audit.

Item	Value	Evidences not presented
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Building	4,622,148	Fixed Assets Register
Library Books	74,456	Library Books Register

1.3.2 Non-compliance with Laws, Rules, Regulations and Management Decisions.

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

Reference to Laws, Rules, Regulations and Management Decisions	Non-Compliance
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(a) <u>2006 Government Procurement Guidelines</u> Guideline 5.4.12	Even though the details of the value added tax on registered contractors should be sent to the Inland Revenue Commissioner with a copy for Auditor General before the 15th of the next month, amount of Value Added Tax value of Rs. 2,581,477 paid to the contractors from the year 2014 up to the end of the year under review had not been sent as per.

(b) **Financial Regulation of the Democratic Socialist Republic of Sri Lanka**

Financial Regulation 571

Action had not been taken on 94 deposits amounting to Rs.2,192,477 exceeding two years to return to the relevant persons or to transfer to the revenue account.

(c) Public Finance Circular No. 02/2014 dated 14 October 2014.

Even though the Board of Survey report for the year 2017 should be submitted to the Auditor General before 17 March 2017, the report was not submitted even up to 16 August 2016.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue over recurrent expenditure for the year ended 31 December 2016 amounted to Rs.7,062,954 as compared with the revenue over recurrent expenditure of the preceding year amounted to Rs.15,846,919. As compared with the preceding year a deterioration of Rs.8,783,965 in the financial results for the year under review had indicated.

2.2 Revenue Administration

2.2.1 Rates and Taxes

According to Section 134 of the Pradeshiya Sabha Act No. 15 of 1987, action had not been taken to assess and recover rates on 656 business places and 9,983 houses within the Sabha area from the year 2003; therefore nearly an income of Rs. 5,319,500 had been losing annually.

2.2.2 Advertisement Board Charges

Action had not been taken to recover a sum of Rs. 208,200 to be recovered from 40 notice boards from private companies within the Council area by 16 August 2017 In terms of Section 126 of the Pradeshiya Sabha Act No. 15 of 1987.

2.2.3 Meat stall rental

Action had not been taken to recover meat stall lease rental amounting to Rs.1,676,063 up to the end of the year under review which had been arrear from the year 1992 to 2011.

2.2.4 Cowhide Sales Income

Although nearly 3600 cattle were killed annually for meat in the slaughter house, a sum of Rs. 900,000 had been lost due to not taking action to recover cattle slaughter fees and to sale the leather to leather producing institutes.

2.2.5 Shop Rental Income

Action had not been taken to recover arrears shop rent amounting to Rs. 32,667 even up to 16 August 2017 relating from the year 1995 to 2005.

2.2.6 Rest House Service Charges

According to Section 149 of the Pradeshiya Sabha Act No. 15 of 1987, action had not been taken to recover 0.1 per cent tax on the income of the 117 circuit bangalows situated in the Sabha area.

3. Operational Review

3.1 Management Inefficiencies

Following observations are made

- (a) Even though 07 vehicles belonging to the Ministry of Provincial Councils and Local Government and Projects were used by the Sabha for a period of four years, action had not been taken to transfer the ownership of those vehicles to the Sabha.
- (b) The necessary actions had not been taken up to 16 August 2017 on the shortages of 156 items relating to 15 types, 2,000 libraries to be destroyed and 144 books to be sale on the recommendation of the board of survey for the year under review.

3.2 Contract Administration

3.2.1 Graveling for Internal Roads

Under the program of strengthening the Pradeshiya Sabha in 2015, Rs. 1,100,000 had been paid for 440 gravel cubes for graveling of 05 internal roads belonging to the Council area. However, according to the written confirmation from technical officers and work supervisors, 297 cubes of gravel had been spreaded on those roads. Accordingly, a sum of Rs. 357,500 had been over paid.

4. **Accountability and Good Governance**

4.1 **Unresolved Audit Paragraphs**

Following observations are made.

- (a) The excess recovery loan amount of Rs. 48,554 from 4 employees, who worked in the Sabha for the period from the year 2011 to 2013, had not settled by 16 August 2017.
- (b) Even though A paper removal center had been built by utilizing a sum of Rs. 1,231,600 in 2008 by World Vision institution and Rs. 1,612,127 from the Sabha funds in 2011 in order to increase the income of the Sabha and to create employment opportunities, It had been ruined because it had not been used to date.
- (c) Loan balances of Rs. 396,758 which had given to 07 employees who had transferred and vacated their posts was not recovered for period from 04 years to more than 16 years. Action had not been taken even up to 16 August 2017 to recover those loan balances from the guarantees or to take legal action against them.

5. **Systems and Control**

Special attention of the Sabha is drawn to the following fields and matters before that of systems and controls.

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| (a) Fixed Assets | (i) Maintaining the Fixed Assets Register. |
| (b) Revenue Recovery Management | (ii) Utilizing idle assets. |
| (c) Solid Waste Management | Taking action to recover arrears revenue. |
| | Collecting waste separately. |