

## **Ninthavur Pradeshiya Sabha**

### **Ampara District**

#### **1. Financial Statements**

##### **1.1 Presentation of Financial Statements**

Financial Statements for the year 2017 had been submitted to audit on 04 April 2018 and the Auditor General's Report relating to the year under review was sent to the Chairman on 19 October 2018.

##### **1.2 Qualified Opinion**

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Ninthavur Pradeshiya Sabha as at 31 December 2017 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 Accounting Deficiencies**

Following observations are made

- (a) Although the old office building of the Sabha has been rented to the Regional Office of the State Minister of Health from 01 March 2015 for a monthly rent of Rs.15,000, outstanding rental for 39 months amounting to Rs.585,000 up to the end of the year under review had not been accounted for.
- (b) The rent receivable amount of Rs.530,820 by renting the JCB vehicle to private parties for field work from the year 2012 to the end of the year 2016, was not accounted for.
- (c) A sum of Rs. 6,065,258 had been allocated for road reconstruction through various programs was not accounted for.

###### **1.3.2 Accounts Receivables and Payables**

Following observations are made

- (a) The outstanding loan balance of Rs. 104,918 given by the Pradeshiya Sabha to 24 employees who had transferred and resigned the service was continuously presented in the financial statements for more than 10 years without being taking action to recover.

- (b) The payable amount of Rs. 2,951,150 to the Ceylon Electricity Board for using street lamps and receivable amount of Rs. 2,477,322 from the Ceylon Electricity Board had been continuously reported in financial statements for over 22 years without been taking action to recover and pay.

### 1.3.3 Non-compliance with the Laws, Rules, and Regulations

Following non-compliance with laws, rules, and regulations were observed in audit.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non - compliance
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	Rs.	
(a) Section 12(1) and (2) of Pradeshiya Sabha Act No.15 of 1987	-	Action has not been taken to establish and implement separate groups for subjects such as financial and policy planning, housing construction and social development, technical services, environment and common amenities, to make correct decisions with a view to facilitate the work of the Pradeshiya Sabhas.
(b) Paragraph 5 (XII) of Chapter I Pradeshiya Sabha Regulation (Finance and Administration) 1988	-	Even though duties such as cash, inventories and signing cheques had been assigned to three officers, security deposits had not been taken from those officers.
(c) Financial Regulation 571 of the Financial Regulation of the Democratic Socialist Republic of Sri Lanka	1,541,743	Even though there were 57 deposits belonging to 03 categories which are more than 2 years, The council had not taken any action to return it to the relevant persons or transfer it to the revenue accounts.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented the recurrent expenditure over revenue for the year ended 31 December 2017 amounted to Rs. 396,368 when against to the revenue over recurrent expenditure for the preceding year amounted to Rs. 8,731,248 and it shown a deterioration of Rs. 9,127,616 in the financial results for the year under review.

## 2.2 Revenue Administration

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

Details of estimated revenue, billed revenue, collected revenue and arrears of revenue relating to the year under review and previous year as per the information submitted are shown below.

Revenue Source	<u>2017</u>				<u>2016</u>			
	Estimated Revenue	Billed Revenue	Collected Revenue	Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Arrears as at 31 December
	Rs.000'	Rs.000'	Rs.000'	Rs.000'	Rs.000'	Rs.000'	Rs.000'	Rs.000'
(i) Rates and Taxes	6,250	4,424	3,377	3,338	6,250	4,300	3,749	2,291
(ii) Rent	5,125	3,070	3,039	3,275	5,125	7,585	7,542	3,244
(iii) License Fees	1,525	649	649	-	1,525	957	957	-
(iv) Other Revenue	8,500	7,605	7,277	3,178	8,500	8,501	8,128	2,850

### 2.2.2 Performance of Revenue Collection

Out of the revenue receivable amount of Rs. 24,133,219 up to 31 December 2017 a sum of Rs. 14,341,938 had been recovered during the year under review. Accordingly, the revenue collection was 59%.

### 2.2.3 Recovering of Meat Stalls Lease Rent

Arrears meat stall lease rent amounting to Rs. 3,173,466 from 1980 to the end of the year 2012 had not been recovered even by end of the year under review.

## 3. Operational Review

### 3.1 Performance

#### 3.1.1 Sustainable Development Goals

Every organization must comply with the United Nations Sustainable Development Program for 2030 in accordance with the Sri Lanka Sustainable Development Act No 19 of 2017. Nevertheless, the Sabha not taken steps to identify and achieve the targets.

### **3.2 Management Inefficiencies**

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Following observations are made.

- (a) Even though a sum of Rs.300,000 had been allocated by the Ministry of Local Government and Provincial Councils for the establishment of the front office of the Sabha in the year under review, the front office had not been established even by 10 September 2018, and the 02 computers that had been taken for it were idled.
- (b) There were 27 shops and an open fish market in the Nindavur market, but it was observed that 14 shops and the fish market were not being using for more than 04 years.
- (c) Rental amount of Rs.215,000 had not been collected from the shop owners who had rented 06 shops in the public market and the electricity bills amounting to Rs. 106,899 for these stalls were also in arrears. However, the council had not entered into any agreements with the shop owners.

### **3.3 Human Resource Management**

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Following observations are made.

- (a) A worker who has been permanently appointed to the Sabha by the Department of Management Services on the casual and temporary basis, has been working in the Regional Assistant Governor Office, Ampara from 24 October 2014 and the Sabha maintains only the employee's biodata information and the salary and salary increments have been paid by the Sabha for more than 46 months without confirming his presence.
- (b) The Governor of the Eastern Provincial Council had recruited 14 employees as health workers and labourers for a period of 6 months in the year 2015 on Acting, Casual, Contract and Temporary basis for posts not listed by the Pradeshiya Sabha, even though the period had ended and over two years had lapsed, he had served in the Sabha without the approval.

## **4. Accountability and Good Governance**

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### **4.1 Unresolved Audit Paragraphs**

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Following observations are made.

- (a) Although the old office building of the Sabha has been rented to the Regional Office of the State Minister of Health from 30 June 2015 for a monthly rent of Rs.15,000, outstanding rental for 39 months amounting to Rs.585,000 and arrears electricity bill of Rs. 8,302 had not been recovered from the related Ministry up to the date.

- (b) Action had not been taken to recover or taking legal action of rent receivable amount of Rs.530,820 by renting the JCB vehicle to private parties for field work from the year 2012 to the end of the year 2017,
- (c) Out of the 35,290 garbage collection bags purchased for a sum of Rs.299,965 by the Sabha under the Development Grant allocated to the Provincial Council in 2013, 33,800 bags were stored up to 6 September 2018 without being used for the purpose.
- (d) Although the documents were prepared and the Technical Officer had certified that the lawn work has completed for the children's park and the parking lot under the Pradeshiya Sabha Strengthening Program of 2016, and a sum of Rs. 144,300 had been obtained for that from the Ministry of Provincial Councils and Local Government; the work had not been commenced and a sum of Rs.18,900 had been paid as labour charges for this.

## 5. System and Control

Special attention is needed in respect of the following systems and matters mentioned against them.

<b>Control Area</b> -----	<b>Matters to be made Attention</b> -----
(a) Fixed Assets Control	(i) Maintaining fixed assets register.
(b) Income Administration	(ii) Taking action to use idle fixed assets.
(c) Solid Waste Management	Taking action to recover arrears revenue.
	Collecting separated solid wastes