

Pothuvil 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 14 March 2018 and the Auditor General's Report relating to the year under review was sent to the Chairman of the Sabha 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 Pothuvil 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) The value of 10 vehicles, 5 tractors, 09 trailers and bowsers received and donated by various institutions and transferred to the Sabha from the year 2011 to the end of the year under review were not assessed and accounted for.
- (b) The value of 03 air conditioners, 02 televisions and the refrigerator donated by UNOPS, Abans and Nelsip respectively in the period from the year 2011 to the year 2016, had not been assessed and accounted for.

1.3.2 Lack of Documentary Evidences

In respect of fixed assets shown in the Financial Statements for the year 2017 presented by the Sabha, detailed schedules of 5 subjects valued at Rs.4,736,234 which was brought forward according to the year 1992 was not submitted to audit.

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, and Regulations	Value	Non-compliance
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	Rs.	
(a) 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.
(b) Guideline 5.4.12 of the Government Procurement Guidelines 2006	19,697	The Commissioner of Inland Revenue had not been informed regarding the VAT paid to registered contractors in the year under review, with a copy to the Auditor General.
(c) Financial Regulation 571 of the Democratic Socialist Republic of Sri Lanka	290,821	Even though there were 14 deposits which are more than 2 years, the action had not taken to return it to the relevant persons or transfer it to the revenue accounts.
(d) Public Finance Circular No. 05/2016 dated 31 March 2016	-	According to the recommendations of the Annual Board of Survey for the year under review, action had not been taken by 21 September 2018 to destroy 236 inventory items and 35 library books to be destroyed and 220 items to sell and the copies of the survey board report were not submitted to the Auditor General until the end of the year under review.
(e) Treasury Circular No. IAI/2002/02 dated 28 November 2002	683,300	A separate fixed asset register had not been maintained for computers, computer accessories and software in the Sabha.

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. 10,968,249 when comparing to the revenue over recurrent expenditure for the preceding year amounted to Rs. 7,062,954 and it shown an improvement of Rs. 3,905,295 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	2017				2016			
	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	-	3	3	-	-	-	-	-
(ii) Rent	6,256	6,455	6,168	2,515	7,224	5,869	5,805	2,207
(iii) License Fees	2,268	2,829	2,829	-	2,280	2,103	2,103	-
(iv) Other Revenue	18,280	15,052	15,052	-	21,826	9,693	9,693	-

2.2.2 Performance of Revenue Collection

Out of the revenue receivable amount of Rs. 26,546,915 up to 31 December 2017 a sum of Rs. 24,053,014 had been recovered during the year under review. Accordingly, the revenue collection was 91%.

2.2.3 Rates and Taxes

Following observations are made.

- (a) 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 according to Section 134 of the Pradeshiya Sabha Act No. 15 of 1987. Therefore nearly an income of Rs. 5,319,500 were being losing annually.

- (b) No action was taken to levy 0.1 per cent of the income from 117 circuit bungalows located in the council area according to Section 149 of the Pradeshiya Sabha Act No. 15 of 1987.

2.2.4 Rent Recovering

Following observations are made.

- (a) The Sabha had not taken action to recover arrears shop rental of Rs.562,950 from 33 shops in the public market for the year under review, even by 21 September 2018.
- (b) Action had not been taken to recover meat stall rental amount of Rs.1,676,663 in arrears from the year 1992 to 2013 and Rs.95,450 arrears for the year under review even by 21 September 2018.

3. Operational Review

3.1 Management Inefficiencies

Following observations are made.

- (a) Although a sum of Rs.158,623 should be paid to the National Water Supply and Drainage Board for providing free drinking water to the villages belonging to the Sabha area in the year under review, it had been paid a sum of Rs.168,461 thus, a sum of Rs. 9,838 had been over paid.
- (b) Five vehicles, 01 bowser and 03 trailers, which were received to the council from the Ministry of Provincial Council and Local Government, have been used by the council for more than two years, but the ownership of such vehicles has not been transferred.
- (c) Arrears loan from 15 employees who had transferred and resigned the service was amounted to Rs.550,726 and it had not been recovered from 2 years to 14 years. Action had not been taken to recover these outstanding balances or to take legal action against them even by 21 September 2018.
- (d) Forty Six lands belonging to the Sabha have not been transferred to the name of the Sabha by the end of the year under review.

4. Accountability and Good Governance

4.1 Budgetary control

It was revealed that the budget plan was ineffective due to provisions amounting to Rs.1,820,000 had to be transferred in 18 occasions due to inadequate provisions made for 16 subjects in the year under review.

4.2 Unresolved Audit Paragraphs

Following observations are made.

- (a) Under the Pradeshiya Sabha strengthening program in 2015, A sum of Rs.1,100,000 were paid for 440 cubes of gravel in 2016 with regard to gravelling for internal roads situated in the authority area of the Pradeshiya Sabha. However, according to the written confirmations of the technical officer and work supervisor, only 297 cubes of gravel have been used for roads. Accordingly, the Sabha had made an over payment of Rs. 357,500 for 143 cubes of gravel.
- (b) A sum of Rs.48,554 over recovered as loan instalments from 04 employees of the Sabha during the period from 2011 to 2013, had not been repaid even by 21 September 2018.
- (c) Although a paper recycling centre had been built using the funds of World Vision amounting to Rs. 1,231,600 in 2008 and using the funds of the Sabha amounting to Rs.1,612,127 in 2011 with the aim of increasing the income and employment of the Sabha, it had been destroyed as it had not been used until now.

5. System and Control

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

Control Area	Matters to be made Attention
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(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