

Porathivupattu Pradeshiya Sabha -2017
Batticaloa District

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year 2017 had been submitted to Audit on 22 March 2018 and the report of the Auditor General had been furnished to the Chairman on 13 September 2018.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in Paragraph 1.3 of this report, the financial statements for the year ended 31 December 2017 had been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the financial position of the Porathivupattu Pradeshiya Sabha as at 31 December 2017 and the financial results of its operation and cash flow for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following accounting deficiencies were observed.

- (a) Rs.2,192,749 had been received in 2016 for two works completed in 2015. In the meantime, instead of being credited to the creditors account and being debited to the capital grant account, credited and debited to the creditors account.
- (b) Rs.2,612,435 had been spent under the village development project. In the meantime instead of being credited to the Material cost account and being debited to the capital grant account, credited and debited to the deposit account.

1.3.2 Non-compliance with Laws, Rules and Regulations

Instances of non-compliances with laws, rules, and regulations during the audit were observed below.

Reference to Laws, Rules, Regulations etc.	Non-compliance
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(a) Section 134(1) of the Pradeshiya Sabha Act No 15 of 1987	No action had been taken to identify the immovable assets of authoritative area of the Sabha, calculate the value of them and recover the tax.

(b) **1988 Pradeshiya Sabha (Financial and Administration) Rules**

- (i) Section X of Chapter 193 Actual annual Income and Expenditure details for the year, compared to the Budget and explanation of contradiction statement had not been prepared and furnished to Audit.
- (ii) Section XIII of Chapter 218 No reports of lands and buildings belonging to the sabha had been submitted.

(c) **Financial Regulations of the Democratic Socialist Republic of Sri Lanka**

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- (i) Financial Regulation 177(2) The total amount of money collected in 27 ways from 9 March 2016 to 31 October 2017 was Rs.370,083. This money deposit to be deposited the following day had been deposited after a period of approximately 15 days.
- (ii) Financial Regulation 389 Instead of sending the cheques to the appropriate suppliers and the owner directly or registered post, they had been received by the duly staff at the Pradeshiya Sabha.
- (iii) Financial Regulation 1645 and 1646 The Daily Running Charts with the Monthly Performance Summaries of the Sabha's vehicles must be submitted to the Auditor General on 15th of the following month, but the daily running Charts with the Monthly Performance Summaries of Sabha's vehicles had not been submitted to the Auditor General.
- (d) Public Finance Circular No. 01/2012 dated 05 January 2012 No action had been taken in terms of the provision of this section, when selecting approved Association for 12 construction works valued at Rs.10,207,767.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, the excess of Revenue over Recurrent Expenditure for the year ended 31 December 2017 had amounted to Rs. 4,356,779. Compared to this, the excess of Revenue over Recurrent Expenditure for the previous year amounted to Rs. 536,986 thus indicating a increase of Rs. 3,819,793 in the financial results.

2.2 Revenue Management

2.2.1 Performance of Revenue Collection

According to the Gazette Notification No.1775 dated 7 September 2012, 12 Grama Niladhari Division of the 5 villages of the authoritative area of Porathivupattu Pradeshiya Sabha were declared as a developed areas. However, no action had been taken to collect the tax.

3. Performance Review

3.1 Performance

(a) Sustainable Development Goals

According to resolutions at the 2015 Sustainable Development conference chaired by the Head of States of United Nations, no action had been taken to develop measurable indicators for the development Agenda to be achieved by the Sabha by 2030.

(b) Solid Waste Management

Rs.1,822,222 was spent on 27 November 2016 for the establishment of a solid waste management facility at Vivekanandapuram within the authoritative area of the sabha. As well as there is an increase in elephant movement in the are and no steps have been taken to set up an elephant fence to prevent it. Thus, about 24 concrete pillars and 21.5 meters long foundation were broken by elephants. Therefore no action had been taken until 11 May 2018 to dump solid waste.

3.2 Management Inefficiency

Following observations were made.

(a) According to the letter dated on 11 February 2016 received from the National Water Supply and Drainage Board, the water inspection report of the above project in Village No.39, the ideal water colour turbidly level (NTU) and NH3 should be 15,2 and 0.06 respectively. However, according to the water inspection obtained, the units are found to be 241, 37.3 and

0.33 respectively. But, the project is being implemented without taking any action to mend it.

- (b) Under the Deyata Kirula Program in 2013, the contract was signed by the Assistant Commissioner of Local Government with a contractor on 31 January 2013 for a public library building at Chinnawatha Village in authoritative area of the Sabha at a cost Rs.7,232,236. According, only works worth Rs.1,935,435 had been completed and payment made on 24 February 2014. But the rest of the work had not been completed to dated.

3.3 Human Resource Management

Following observations were made.

- (a) Although there were three authorized personnel for the Post Income Inspector, only one person had been on duly since 2014.
- (b) Although there were three authorized personnel for the Post of Librarian, no one had been appointed to the position in the year under review.
- (c) Although there were six authorized personnel for the Post of Driver, only three persons had been appointed to the position in the year under review.

3.4 Contract Administration

A report had been submitted that ten jobs were completed such as Renovation of Roads, Renovation of Toilets Facilities, Name boards for Roads, setting up a children park, drinking water facilities, setting up drainage under the Reinforcement Project of 2016. Rs.2,350,000 had been received for this purpose and deposited in 2017. But the works had not been completed until 11 May 2018.

4. Accountability and Good Governance

4.1 Budgetary Control

The rate of tax was estimated at Rs.1,050,000 and business income was at Rs.250,000. But no any collection had been done.

5. Systems and Controls

Special attention is required in respect of the following items of systems and controls.

Controls	Items that need special attention
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(a) Accounting	Receivables and Payables should be accounted.
(b) Revenue Management	Action to be taken to recover the arrears of Revenue.
(c) Budgetary Control	