

**Irakkamam Pradeshiya Sabha
Ampara District**

1. Financial Statements

1.1 Presentation of Financial Statements

Financial statements for the year 2018 had been submitted to Audit on 19 March 2019 and the Summarized report and the detailed management audit report of the Auditor General on the said Financial Statements were sent to the Chairman on 31 May 2019.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in the Basis for qualified opinion paragraph of this report, the financial statements give a true and fair view of the financial position of the Irakkamam pradeshiya sabha as at 31 December 2018, and of its financial performance for the year then ended in accordance with generally accepted accounting principles.

1.3 Basis for Qualified Opinion

(a) Accounting Deficiency

Accounting Deficiencies	Recommendation	Comment of the Accounting Officer
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The value of the office building amounting to Rs. 10 million which was built by the Ministry of Local Government and assigned to the Sabha in 2011 had not been taken into account.	Value of buildings should be taken into accounts.	Actions were taken to obtain documents relating to Pradeshiya Sabha buildings from the relevant Ministry and to show in the final accounts.

(b) Lack of written evidence

Audit Observation	Recommendation	Comment of the Accounting Officer
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Two accounting items valued at Rs. 4,505,898 could not be satisfactorily verified due to lack of submitting Land deeds, fixed assets register and balance confirmations.	Evidence should be presented to verify account balances mentioned in financial statements.	Lands and buildings are mentioned in the Fixed assets register. Actions were taken to obtain detailed written evidence in this regard from the Samanthurei Pradeshiya Sabha.

1.4 Non-Compliance

Non-compliances with Laws, Rules Regulations and Management Decisions

Instances of non-compliance with Laws, Rules Regulations and Management Decisions are mentioned below.

Reference to Laws, Rules Regulations and Management Decisions	Non-Compliance	Recommendation	Comment of the Accounting Officer
(a) Section 193 of Pradeshiya Sabha (Financial and Administrative) Rules 1988	A statement had not been prepared and submitted to audit reasoning the excesses and deficiencies of revenue and expenditure items compared with the budget.	Statements should be prepared in the relevant period of time and should be submitted to audit.	Informing that, even though the details of revenues and expenditures of the Sabha for each financial year had been compared with the budget, the detailed list on the said comparison will be submitted to audit in the future.
(b) Financial Regulation 571 of the Democratic Socialist Republic of Sri Lanka	Actions had not been taken by the council to either pay back to the relevant personals or to take into government revenue regarding two deposits valued at Rs. 85,907 that has exceeded two years.	Actions should be taken on the expired deposits according to the Financial regulations.	Informing that, if the relevant personals fail to recover the deposits, the said funds will be transferred to the revenue at the end of the year 2019.

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the recurrent expenditure exceeded revenue of the Sabha was Rs.341,092 for the year ended on 31 December of the year under review and against to that the revenue that exceeded the recurrent expenditure in the previous year was Rs.2,156,203.

2.2 Financial Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Outstanding Revenue

Details of Estimated Revenue, Billed Revenue, Collected Revenue and Outstanding Revenue for the year under review and the previous year are given below

Source of Revenue	2018				2017			
	Estimated Revenue	Billed Revenue	Collected revenue	Outstanding as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Outstanding as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and taxes	100,000	18,250	18,250	-	30,000	43,750	43,750	-
Rent	1,980,000	920,650	1,018,450	1,034,023	4,075,400	3,743,335	3,684,000	1,131,823
License fees	705,000	817,410	817,410	-	670,000	672,590	673,000	-
Other Revenue	6,021,000	3,930,944	3,930,944	-	2,258,000	1,990,592	1,990,592	-

2.2.2 Stamp Fees

Audit observations

Actions had not been taken to calculate and recover additional stamp fees which were recovered by Provincial Revenue Department of Eastern Province in the year 2017 and 2018 through direct and mobile services when transferring immovable property located in the jurisdiction of the Sabha.

Recommendation

Actions should be taken to prepare documents and recover the outstanding stamp fees.

Comments of the Accounting Officer

Not commented.

3. Operational Review

3.1 Performance

According to the section 3 of Pradeshiya Sabha Act, the following matters were revealed relating to formulation and regulating public health, public utility service and roads and wellbeing of the people, convenience and welfare which should be full filled by the Sabha

(a) By laws

Audit observation

According to section 126 of the Pradeshiya Sabha Act No 15 of 1987, Bylaws should be prepared and implemented on 20 matters on Revenues and Regularization of the Pradeshiya Sabha. Even though relevant proposals of bylaws on 5 matters had been sent for the approval of the Minister of Local Government on 22 November 2013, required actions had not been taken to get the approval and implement the bylaw even up to 31 December 2018.

Recommendation

Bylaws should be prepared and implemented according to section 126 of the Pradeshiya Sabha Act No 15 of 1987.

Comments of the Accounting Officer

Informing that, It was send again with amendments with the approval of the present Sabha on request of the legal division.

(b)	Action Plan ----- Audit observation ----- An Annual Action plan had not been prepared on activities that should be carried out by the Sabha according to the imposed bylaws.	Recommendation ----- An Annual Action plan should be prepared on the activities that should be carried out by the Sabha according to the bylaws.	Comments of the Accounting Officer ----- Not commented.
(c)	Environmental Issues ----- Audit observation ----- A slaughterhouse which was built in the year 2015 under Provincial Specific Development Aid incurring a sum of Rs. 1,338,328 had remained idle due to public opposition based on the fact that it being built without paying any attention to the matter of having a cemetery close by.	Recommendation ----- Actions should be taken to use the building for the relevant purpose or any other work.	Comments of the Accounting Officer ----- Informing that, this place is planned to be used for the Solid waste recycling project on the advice of secretary to the Chief Minister.
(d)	Sustainable Development Goals ----- Audit observation ----- According to the Sri Lanka Sustainable Development Act No 19 of 2017, Every public institution should act according to the 2030 Agenda of the United Nations. However, actions had not been taken by the Sabha to identify and achieve the goals in this regard.	Recommendation ----- Actions should be taken to identify and achieve sustainable development goals and actions should be taken to prepare indicators to measure the achievements.	Comments of the Accounting Officer ----- Not commented.

3.2 Management Inefficiencies

Audit observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Actions had not been taken by the Sabha to transfer the deeds of the lands in which the Council office, Library, Fair, Public Playground and Slaughterhouse are located at, to the name of the Sabha.	Actions should be taken to transfer lands to the name of the Sabha.	Actions were already taken to assign the land building ownership and necessary actions will be taken to obtain the documents of these lands.
(b) Actions had not been taken to lease the shopping complex which was built on the year 2018 incurring a sum of Rs. 4,690 million under Development Funds Programmes of Ministry of Local Government and Provincial Councils even up to 14 May 2019.	Actions should be taken to lease the relevant buildings.	Arrangements were made to send to the Department of Valuation for assessment to decide a monthly rental. Actions will be taken to lease the buildings afterwards.
(c) Even though a sum of Rs. 1,029,223 had been mentioned in the financial statements as the outstanding meat shop lease rent for the period from the year 2003 to the year 2010, and although there had not been any relevant documents or evidence to verify the amount, actions had not been taken to recover the outstanding amount or to write off from the books even up to 14 May 2019.	Actions should be taken either to recover the outstanding or to write off in a proper manner.	Lessees for this outstanding amount of meat shop lease rent are not to be found at the moment. Arrangements were made to obtain permission to write off the said amount because of the residential addresses of the personals cannot be found. Only a sum of Rs. 3,000 could be recovered from the outstanding of the year 2004.

3.3 Human Resources Management

Audit observation -----	Recommendation -----	Comments of the Accounting Officer -----
Five vacancies of the council had not been filled even up to the end of the year under review. And by not recruiting for the position of Revenue Inspector which had been vacant since the year 2014, the Identification of sources of revenue and revenue collection had not been successful.	Actions should be taken to fill the vacancies of the council. And also, actions should be taken to immediately recruit for the	Even though the Head of Department and Secretary to the Ministry were informed several times on the vacancies of Revenue inspectors, actions were not taken to fill the position as of now. Informing that the

positions of revenue inspectors and to collect revenues.

Secretary to the Ministry had informed that these vacancies will be filled in the year 2019. Further, the Commissioner of Local Government has been asked in writing.

3.4 Operating Inefficiencies

Audit observation

Recommendation

Comments of the Accounting Officer

According to section 134 of Pradeshiya Sabha Act No 15 1978, an annual gross income of Rs. 2,500,000 is being lost due to actions not being taken to assess and recover rate taxes from 305 shops and 4,673 houses from the year 2010 in the Pradeshiya Sabha jurisdiction

Actions should be taken to identify developed areas in the jurisdiction of the Sabha and to recover rate taxes from those areas.

Irakkamam is an undeveloped area with low income poor residents. The main livelihood of the residents is farming or fishing. However, proposals of the Sabha were presented by the Chairman to obtain permission to recover taxes but the permission was denied by the sabha due to issues like the level of income and identifying the area of residence.

3.5 Assets Management

3.5.1 Assets Registers not being maintained

Audit observation

Recommendation

Comments of the Accounting Officer

Although the value of Land and Buildings had been shown in the accounts as Rs 18,514,344, it had not been mentioned in the fixed assets register

It should be mentioned in the fixed assets register.

Even though the land and buildings valued at Rs. 18,514,344 mentioned by you, were shown in the final accounts when handing over assets and liabilities on the occasion separating the Pradeshiya Sabha which stayed as a sub office of the Samanthurei Pradeshiya sabha, no documents were handed over in this regard. Listing assets and liabilities was challenging due to lack of information in this regard.

3.5.2 Security of Assets not being assured

Audit observation

Recommendation

Comments of the Accounting Officer

Twelve vehicles that belong to the council had been parked in

Actions should be taken to establish

Although actions were already taken to build a vehicle yard to safely park the vehicles

the Public Fair premises with no proper security. vehicle yard facilities. that belong to the council, it was send to obtain provisions from the provincial specific fund in the year 2019 due to lack of provisions.

3.5.3 Failure to Perform Maintenance and Repairs

Audit observation -----	Recommendation -----	Comments of the Accounting Officer -----
Actions had not been taken since few months to repair 01 JCB and 01 motor lorry that belong to the council.	Actions should be taken to repair and run the vehicles again.	The authorized institution to repair the JCB which is Awarns Mart institution was informed. After the inspection of a mechanical engineer sent by the said institution it was informed that the relevant spare parts for the vehicle should be imported from China and a period of two months was requested due to China being on a month-long holiday.

3.5.4 Idle / Under-utilized Assets

Audit observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) The upper flow of the Public Fare Building which was built in the year 2017 incurring a sum of Rs. 4.975 million under UNDP programmes, had remained idle until 19 May 2019.	Actions should be taken to utilize the Public Fare Building.	Informing that, the upper floor of the Public Fare Building is used to hold the public fare in the occasion of new year festivals and to hold public ceremonies.
(b) The waste grinder valued at Rs 325,000, which was bought in the year 2016 under Provincial Specific Development Aid had remained idle and without being fixed at the relevant location until 14 May 2019.	Actions should be taken to fix and use the said waste grinder.	The waste grinder is not fixed due to the additional cost that occurs when installing and maintaining the machine and security necessities.

3.5.5 Contract Administration

Audit observation

Recommendation

Comments of the Accounting Officer

The project of laying concrete on the Waripaththan Hena Medical center road had been completed under provisions of Ministry of City Planning and Water Supply incurring a cost of Rs. 1.73 million. The estimate for the 166 m long concrete road had been prepared excluding shuttering and Road Leveling which are initial work items of laying concrete.

Attention should be paid to the main work items of the relevant design when preparing the estimate.

Shuttering and Road leveling were left out by mistake when preparing the estimate for the said road. Informing that the completion of the contract was done by communicating with the contractor.

4 Accountability and Good Governance.

4.1 Internal Audit

Audit observation

Recommendation

Comments of the Accounting Officer

Internal audit activities had not been carried out by the Sabha in the year under review.

Internal Audit activities should be carried out.

Not commented.