

**Pothuvil 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 15 May 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 Pothuvil 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 the qualified opinion

(a) Accounting Deficiencies

Accounting Deficiency	Recommendation	Comment of the Accounting Officer
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(a) Actions had not been taken to assess the values of 30 vehicles out of the 34 vehicles that belong to the council and to take into accounts	Values of vehicles should be estimated and taken into accounts under fixed assets.	Necessary actions will be taken to evaluate the values of the vehicles and to disclose these values properly in the financial statements in the coming financial year.
(b) The values of the lands that belong to the council had not been estimated and taken in to accounts.	The values of the lands that belong to the council should be taken into accounts under fixed assets.	Necessary actions will be taken immediately to evaluate the values of the relevant lands and to disclose these values properly in the financial statements in the coming financial year.

1.4 Non- Compliance

1.4.1 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
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(a) Pradeshiya Sabha (Financial and Administration) Rules 1988	(i) Section 5(12) Security deposit which is taken from the officials who sign for money, Inventory items and cheques had not been taken from 3 officers for period of over 3 years.	Security deposits should be taken from the officers who are in charge of signing for money, Inventory items and cheques.	It was observed that in several occasions, the assigned duties have been neglected by the officers who have come forward to obtain security deposits money from the administration. Security deposits could not be recovered from the officers due to the said administration issue. However, actions will be taken to obtain security deposits from the officials who are assigned for the said duties.
(ii) Section 193	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.	The details of Revenue and expenditure for each financial year of the council are compared with the budget and a detailed report in this regard 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 to either pay back or to take in to revenue according to Financial Regulations, regarding a tender deposit of Rs. 50,000 which had been	Actions should be taken according to Financial Regulations.	Informing that, actions will be taken to make immediate arrangements to obtain details of the said deposit and either to pay back to the relevant person or to transfer

		deposited in the year 2012.		into revenue.
(c)	Provincial Financial Regulation Rule No. 163.3	Although it had been mentioned that all the paid advances should be settled within 10 days, actions had not been taken regarding advance payments valued at Rs. 1,999,908 made in the year 2015.	Advance payments should be settled and adjustments in accounts should be done as per the provincial financial regulations.	The Ministry of Central Government provided the said advance for the purchase of office furniture on the recommendation of the Commissioner of Local Government. The advance had remained unsettled due to the relevant imprests not being received despite the numerous attempts until now. Immediate actions will be taken to settle the advance by obtaining the imprest.
(d)	Treasury Circular No. IAI / 2002/2 dated 28 November 2002.	A separate fixed assets register had not been maintained for the Computers, Computer accessories and computer software of the council.	Actions should be taken according to the circular.	Actions will be taken to execute and maintain an appropriate register for Computers, Computer accessories and computer software to correct the said issue.
(e)	Public Finance Circular No. 05/2016 dated 31 March 2016	According to the recommendations of the board of survey for the year under review, actions had not been taken regarding library books that should be destroyed and items to be sold even up to 30 May 2019 and a copy of the report of the board of survey had not been submitted to the Auditor General.	Actions should be taken according to the Government Financial Regulations and the Government Financial circular.	Although a procedure on evaluating the value of items that need to be destroyed, repaired and sold was started, it was not completed until now. Actions will be taken to conduct and finish the board of survey and to handover the copies of reports of the board of survey to the Auditor General.

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| (f) | Section 203 of the Motor Traffic Act | Revenue license for the year under review had not been obtained for 8 vehicles that are under the council maintenance. | Revenue license should be annually obtained for all the vehicles according to the said act. | Actions had not been taken to obtain the revenue license for 8 vehicles due to the negligence of administrators. Actions will be taken to identify the vehicles and obtain the revenue license immediately. |
| (g) | Public Administration Circular No. 2008/30 | Although the limit for payment of staff distress loans was 250,000/-, loans had been granted exceeding the limit for two officers in the year under review. | Actions should be taken to grant loans as per the circular. | Actions will be taken to identify the said officers and to increase the monthly installment to recover the said excess loan amount. |

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the revenue exceeded recurrent expenditure of the Sabha was Rs. 6,920,147 for the year ended on 31 December of the year under review and the corresponding revenue that exceeded the recurrent expenditure in the previous year was Rs. 10,968,249.

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. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Rates and taxes	2,005	-	-	-	-	3	3	-
Rent	8,420	9,143	7,965	3,693	6,256	6,455	6,168	2,515
License fees	3,380	3,234	3,234	-	2,268	2,829	2,829	-
Other Revenue	28,000	27,135	24,634	-	18,280	15,052	15,052	-

2.2.2 Rates and Taxes

Audit observation	Recommendation	Comments of the Accounting Officer
(a) Although the estimation of revenue of rates and taxes for the year 2018 was Rs. 2,005,000, Actions had not been taken to assess and recover rate taxes from 656 stalls and 9,983 houses in the jurisdiction of the Sabha since the year 2003, according to Section 134 of the Pradeshiya Sabha Act No 15 of 1987	The revenue for the Pradeshiya Sabha should be increased by identifying the developed areas in the council jurisdiction and recovering rate taxes from those identified areas.	Although these areas appeared to be developed, the majority of the residents were poor. I would like to bring it into your attention that, if these taxes were to be recovered according to the public policy, majority of the residents will be disturbed. Therefore, this cannot be recovered.
(b) Actions had not been taken to recover a 1% of the revenue as taxes from 152 restaurants and dining halls registered in the Sabha under the jurisdiction of the Sabha according to section 149 of the Pradeshiya Sabha Act No 15 of 1987 in the year under review.	Actions should be taken to recover tax revenue according to the Act.	There is no trained staff in the council to investigate the annual income of the lodging, the earned income, the annual value of such accommodation land. And also, the accuracy of the said information could not be verified. These revenues cannot be recovered due to the fact that only one revenue inspector being in the council.

2.2.4 Rentals

Audit observation	Recommendation	Comments of the Accounting Officer
(a) The recovery process of the outstanding lease rentals was slow down due to having a due outstanding of lease rent of Rs. 1,778,614 at the beginning and a balance Rs. 2,806,430 at the end of the year under review.	Actions should be taken to recover outstanding lease rent.	Actions will be taken to inform once again and to take legal actions if any failure occurs in recovering the outstanding lease rent.

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| (b) | The process of recovering the outstanding stall rentals had been slowed down due to having a due outstanding of rentals of Rs. 736,486 at the beginning and a balance of Rs. 886,486 at the end of the year under review. | Actions should be taken to recover outstanding stall lease rent. | Actions are being taken to recover outstanding stall lease rent through a mediation board and legal actions will be taken if its impossible. |
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2.2.5 Stamp Fees

Audit observation

Actions had been taken to recover only a sum of Rs. 2,834,192 represents 22 per cent of the due outstanding stamp fees of Rs. 12,802,672 in the year under review.

Recommendation

Actions should be taken to recover the said amount immediately.

Comments of the Accounting Officer

Actions will be taken to recover the due stamp fees for the year 2016,2017 and 2018

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
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Audit observation

Actions had not been taken to prepare, obtain approval and implement for bylaws on 20 main matters on Revenues and Regularization of the Pradeshiya Sabha according to section 126 of the Pradeshiya Sabha Act No 15.

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

Not commented.

(b) Action Plan

Audit observation	Recommendation	Comments of the Accounting Officer
An Annual Action plan had not been prepared on activities that should be carried out by the Sabha according to the imposed bylaws	An annual action plan should be prepared.	Not commented.

(c) Sustainable Development Goals

Audit observation	Recommendation	Comments of the Accounting Officer
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 council to identify and achieve the goals in this regard.	Actions should be taken to identify sustainable development and prepare indicators to measure the achievements and to reach them.	Not commented.

3.2 Management Inefficiencies

Audit observation	Recommendation	Comments of the Accounting Officer
(a) Fuel consumption had not been tested on 12 vehicles out of the 13 motor vehicles of the Pradeshiya Sabha which were in running condition.	Running of the vehicles that belong to the council should be done by carrying out the fuel test according to the circular.	Necessary actions will be taken to carry out fuel tests on all vehicles that should be tested.
(b) Although the percentage of infants with low birth weight had remained 10%,10.3%,9.2% and 10.6% respectively in the years 2015,2016,2017 and 2018, provisions had not been allocated for the maintenance of Mother child welfare and child caring from the budget until the year 2019.	Attention should be paid to well being of the people in the area when preparing the annual budget.	Informing that, more attention will be paid according to the report on infants with low birth weight.

3.3 Human Resource Management

Audit observation	Recommendation	Comments of the Accounting Officer
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(a) Actions had not been taken to fill the vacancies of the positions of Management Assistants, revenue inspectors and Development officers.	Actions should be taken to fill the vacancies.	I would like to bring to your attention that the necessary actions will be taken to fill the relevant vacancies.
(b) Even though 06 Library assistants and 08 medical servants had been appointed by the council according to the Public Administration Circular No. PAC 06 / 2006, Cadre approval had not been obtained on the said staff.	Necessary actions should be taken.	Not commented.
(c) Staff loans which had been additionally recovered at the end of years 2017 and 2018 of value Rs. 55,765 and Rs. 100,420 respectively, had not and been repaid.	Actions should be taken to repay the additionally recovered amount.	Actions will be taken to identify the additionally recovered amount and to repay to the relevant officers.
(d) Outstanding staff loans amounting to Rs. 559,552 which should be recovered from 18 staff members had been remained unrecovered for a period exceeding two years. Actions had not been taken either to recover this amount from the guarantors or to take legal actions even up to 30 May 2019.	Actions should be taken either to recover the staff loan balances or to take legal actions against them.	Legal actions will be taken in case of failure in recovering the said amount immediately.
(e) Retirement Gratuity of Rs. 103,747 which had been received to be paid for an officer had remained unpaid and unsettled even up to now.	Actions should be taken to pay and settle the Retirement Gratuity.	Necessary actions will be taken immediately.

3.4 Assets Management

3.4.1 Assets not being Transferred

Audit observation	Recommendation	Comments of the Accounting Officer
(a) Actions had not been taken to transfer 08 vehicles which had been received from other institutions as gifts and are being used by the council, to the name of the council even until the end of the year under review.	Actions should be taken to transfer the vehicles to the name of the council.	Arrangements are made to take immediate action to transfer the ownerships.
(b) Actions had not been taken to transfer the ownership of 46 lands that are used by the council to the name of the council even up to the end of the year under review.	Actions should be taken to transfer the ownership of lands.	Actions will be taken immediately to identify the relevant lands and inspect their documents and to transfer the ownership legally.

3.4.2 Not performing Maintenance and Repair

Audit observation	Recommendation	Comments of the Accounting Officer
Actions had not been taken either to repair and use or to sell in auction regarding 06 Tractors, 02 Trailer water tanks, 02 motorcycles, 02 trailers and a Cab which had not been used.	Actions should be taken either to repair and reuse the vehicles or to sell in auction	According to the audit advice, actions will be taken to identify the fixed assets that are not being used and either to repair and use or to sell in auction.

3.4.3 Annual Goods / Stock Survey

Audit observation	Recommendation	Comments of the Accounting Officer
Necessary actions had not been taken regarding the deficiency of 40 chairs, 09 axes, 30 mamoties and 09 Pikkas as shown by the board of survey in the Goods survey in 2018.	Actions should be taken according to the recommendations of annual board of survey and financial regulations.	I would like to bring into your attention that the necessary action will be taken in the future regarding the deficiency of goods as shown by the survey.

3.4.4 Idle / Under-utilized assets

Audit observation

Although a Paper recycling center had been constructed by incurring a sum of Rs. 1,231,000 under the funds of World Vision Institute in the year 2008 and incurring a sum of Rs. 1,612,127 under council funds in the year 2011 and with the intentions of increasing the revenue for the council and generating employment opportunities, it had been deteriorating due to not being used even up to now.

Recommendation

Actions should be taken to use relevant assets for relevant purposes.

Comments of the Accounting Officer

Although it was informed to the World Vision Institute to finish the remaining work and to grant a staff training and other aids, they had not responded in this regard. Informing that it was decided to sell due to the reasons such as lack of electricity to run the plant, lack of trained staff and the installed machinery as of now being rusted.

3.5 Procurement

3.5.1 Procurement Plan

Audit observation

Actions had not been taken to prepare a procurement plan for the year under review according to the Department of National Budget Circular No. 128 dated 24 March 2006,.

Recommendation

Annual Procurement plan should be prepared.

Comments of the Accounting Officer

It was decided by the council on the arrangements to be made to prepare a Procurement plan in the future according to relevant circulars.

3.5.1 Contract Administration

Audit observation

Although a payment of Rs. 38,666 had been approved on 30 November 2018 regarding the job item 07 of constructing the sides of the road by laying gravel soil under the contract of laying concrete on senkamam road, the soil laid on the right side of the road had been washed off in a field inspection carried out on 15 March 2019.

Recommendation

Constructions should be done by laying soil on the both sides of the road according to the contract rules.

Comments of the Accounting Officer

The soil laid on the right-side regarding job item 07 had been washed off due to heavy rain that fell in December 2018 and January 2019. Informing that these shortcomings will be rectified before releasing retention.

4 Accountability and Good Governance

4.1 Presentation of Financial Statements

Audit observation	Recommendation	Comments of the Accounting Officer
Although the financial statements should be submitted to the Auditor General before the expiry of three months from the end of each financial year according to sub-section 15 (1) of the National Audit Act No 19 of 2018. However financial statements for the year under review had been submitted to audit on 15 May 2015.	Financial statement with Annual Action plan should be presented in the relevant period of time.	Not Commented.

4.2 Internal Audit

Audit observation	Recommendation	Comments of the Accounting Officer
Internal Auditing on the council had not been carried out in the year under review.	Internal audit committees should be established and an internal audit should be carried out.	Not Commented.

4.3 Audit and Management Committees

Audit observation	Recommendation	Comments of the Accounting Officer
Audit and Management committees had not been established and committee meetings had not been held in the year under review.	Actions should be taken to establish Audit and Management Committees and to hold meetings	Not Commented.