

**Maritimepattu Pradeshiya Sabha
Mullaitivu District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented to Audit on 31 March 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 31 July 2019 and 10 October 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in the basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Maritimepattu Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

(a) Accounting Policies

Audit Observation

Accounting policies to be adopted in preparing and submitting the financial statements of the Sabha had not been disclosed in the financial statements for the year under review.

Recommendation

Action should be taken by the Sabha to disclose generally accepted accounting policies adopted in preparing and submitting the financial statements annually, in the financial statements after getting approval properly.

**Comment of the
Accounting Officer**

Actions will be taken to prepare financial statements without being occurred errors in future periods.

(b) Lack of Evidences for Audit

Audit Observations

Fourty lands totalling Rs. 1,957,685 had been shown in the financial statements in the year

Recommendations

Actions should be taken to define and obtain land deeds thereof as per concurrence and approval of relevant

**Comments of the
Accounting Officer**

Ownership will be transferred soon by taking this action continuously.

under review could not be satisfactorily vouched or accepted in audit due to non-submission of deeds, land survey map and valuation certificates thereof for over last 06 years.

Divisional Secretaries, District Secretary, Mullaitivu and Commissioner General of Land properly and assess values thereof through certified land survey maps by an approved valuer or a government valuer and bring to the financial statements.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.4 Non-compliances

1.4.1 Non-compliances with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliances	Recommendations	Comments of the Accounting Officer
(a) Pradeshiya Sabhas (Financial and Administrative) Rule of the year 1988			
(i) Section 24 of Chapter III	No actions had been taken to prepare and publish the schedules of roads and lanes belonging to the Sabha in the Government Gazette up to now.	Actions should be taken to prepare the schedules of roads and lanes belonging to the Sabha by obtaining approval of the Sabha and publish in the Government Gazette without delay.	Actions will be taken to publish in the Government Gazette soon.
(ii) Section 33 of Chapter III	No actions had been taken to carry out a survey in respect of assessment tax.	Actions should be taken to carry out a survey in respect of assessment tax quickly and compute and recover assessment tax	Register of assessment tax had been destroyed due to prevailing abnormal situation in the past periods, thus assessments in this

properly from the properties under the purview of the Sabha in every quarter annually.

regard had been done by the Department of Valuation in the last year. Data in this regard also had been collected and sent to the Department of Valuation in the last year. The Department of Valuation had not taken continuous action thereof even though two letters had been forwarded. A Government Gazette notification had been published on 28 December 2018 that 14 Grama Niladhari Divisions are as developed area for assessment tax purpose.

(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

(i) Financial Regulation 571

Lapsed deposits such as 10 retention money deposits, 03 refundable tender deposits and 02 rent deposits totalling Rs. 312,198 had been retained in the deposit account for the last 01 to 05 years without being taken actions in this regard.

The Sabha should check the reasons for non-refunding these lapsed deposits to relevant parties properly and identify those parties accordingly. Further, actions should be taken by the Sabha to refund or rectify such lapsed deposits or credit to revenue with proper approval.

Action will be taken properly.

(ii) Financial Regulation 770

Follow up actions to be taken as per report on

Follow up actions should be taken and

Continuous actions are being taken by

and 771	annual board of survey for the year under review had not been taken by the Sabha.	completed before preparing and submitting the financial statements for that year.	considering observations which were pointed out.
(c) Procurement Manual of the Democratic Socialist Republic of Sri Lanka Section 5.4.12	After paying Value Added Tax by the Sabha, details thereof had not been forwarded to the Commissioner General of Inland Revenue with a copy of Auditor General before 15 th day of the following month.	A continuous action should be taken by the Sabha to submit the details of the Value Added Taxes which paid in a particular month before 15 th day of the following month in terms of section 5.4.12 of said Manual.	Action is being taken to forward schedule in respect of Value Added Tax monthly from current year.
(d) Public Administration Circular Circular No. 30/2016 dated 29 December 2016 of the Ministry of Public Administration and Management	Fuel consumption for twenty vehicles of the Sabha had not been tested in the year under review.	Actions should be taken to test fuel consumption of all vehicles which were being utilized by the Sabha in front of a staff grade officer at least once per year and certified and submit by daily running charts.	Out of 35 vehicles of the Sabha, it was not need to test fuel consumption for 16 trailers. Out of rest of 19 vehicles, one vehicle had been misplaced and fuel consumption had been tested for 09 vehicles. Further, fuel consumption of other vehicles had not been tested due to repair and lack of vehicle registration book.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue over recurrent expenditure of the Sabha for the year ended 31 December 2018 amounted to Rs. 25,295,430 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 38,110,537.

2.2 Revenue Administration

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

Information on the estimated revenue, billed revenue, collected revenue and arrears of revenue presented relating to the year under review and the preceding year is given below.

Source of Revenue	2018				2017			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	442,500	441,223	441,223	–	421,500	392,910	392,910	–
(ii) Rentals	17,402,500	16,761,854	16,761,854	–	17,098,600	16,186,770	16,186,770	–
(iii) License Fees	1,541,400	2,328,704	2,328,704	–	1,420,600	1,617,369	1,617,369	–
(iv) Other Revenue	23,860,040	28,752,963	28,752,963	23,518,828	19,581,290	32,703,888	14,897,344	17,806,544
Total	43,246,440	48,284,744	48,284,744	23,518,828	38,521,990	50,900,937	33,094,393	17,806,544

2.2.2 Performance in Collection of Revenue

Audit Observation

Out of court fines receivable totalling Rs. 15,617,241 from the Chief Secretary of the Northern Province for the preceding years, the Sabha had failed to recover a sum of Rs. 10,956,808 or 70 per cent for over the last 01 year properly.

Recommendation

Meaningful actions should be taken by the Sabha to obtain court fines belonging to the Sabha by requesting from the Chief Secretary within one year since they were owned.

Comment of the Accounting Officer

A sum of Rs. 10,956,808.21 had been received on 18 April 2019.

2.2.3 License Fees

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) It was observed that four categories of charges such as issuing development licenses, initial plan approval, issuing conformity certificates and covering approval in respect of 11 telecommunication towers constructed under the purview area of the Sabha had not been recovered totally in terms of the extraordinary gazette notification no. 1597/8 dated 17 April 2009. A total sum of such fees had not been computed and brought to financial statements.	Actions should be taken to compute these four categories of charges in respect of all telecommunication towers annually and recovered them properly and brought to revenue account of the Sabha.	Actions will be taken to recover such fees in current year by communicating with the head office of said telecommunication centers.
(b) It was observed that 20 categories of 162 trade centers had been functioned under the purview of the sub office of the Sabha at Mulliyavalai in the year under review without being obtained permanent trade license or revenue license and no meaningful legal actions had been taken in this regard.	Actions should be taken to identify trade centers functioned without being obtained permanent trade license and revenue license and meaningful actions should be taken by the Sabha to compute and recover trade tax per year in due periods and bring to revenue account of the Sabha annually.	Trade tax had been recovered from the trade centers under the purview of the sub office, Mulliyavalai for the year 2018.

2.2.4 Court Fines and Stamp Fees

Audit Observation	Recommendation	Comment of the Accounting Officer
Court fines and stamp fees totalling Rs. 20,199,358 and Rs. 3,319,470 respectively had to be received from the Chief Secretary of the Provincial Council and all authorities as at 31 December 2018.	Meaningful actions should be taken to obtain court fines belonging to the Sabha by requesting from the Chief Secretary within one year since they were owned.	As per arrears as at 31 December 2018, court fines totalling Rs. 10,956,808.21 had been received and arrears of stamp fees totalling Rs. 3,133,485 had been received. Actions will be taken to recover balance amount in the current year.

3. Operating Review

3.1 Performance

The matters observed in respect of execution of activities that should be executed under Section 3 of the Pradeshiya Sabhas Act such as regularize and control over the matters of public health, public utility services and public thoroughfares and the comfort, convenience and welfare of the people are given below.

(a) Failure to achieve expected Output

Audit Observation	Recommendation	Comment of the Accounting Officer
Provision of Rs. 14,777,577 had been made in sundry creditors account for the performance of 05 road rehabilitation activities mentioned in the action plan and shown as expenditure in the year under review. However, the Sabha had failed to take actions to achieve expected output level.	Values of completed works had been computed and shown as capital expenditure in the particular financial year. Out of that, values of certified bills which were not paid to suppliers only should be brought to sundry creditors account. However, the Sabha should take meaningful actions to complete relevant projects in due periods and provide them for general public use.	Bills had been submitted. Works were in finishing stage.

(b) Failure to achieve expected Outcomes

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
A sum of Rs. 10,571,160 was incurred for the performance of 02 activities mentioned in the action plan and achieved expected outcomes. However, expected outcomes such as children's hobbies and marketing had not been achieved by them for the last 03 to 04 years.	Projects had been implemented without being carried out a survey of comments of general public/ representatives who were approved by the general public and feasibility analysis in respect of places of projects and in this situation, meaningful actions should be taken by the Sabha/ Commissioner of Local Government/ Chief Secretary to identify the parties related to these projects and inquire them and fix responsibility for spent amount of Rs. 1.06 million or implement properly or recover such expenditure properly.	The work of weekly market, Mulliyavalai Iyanar residence had been commenced and at finishing stage of it, general public had encroached and start a weekly market in front of Mancholai hospital. Even though legal action in this regard had been taken by the Sabha, it could not be stopped. Further, Unnaapilavu children park constructed and opened by the fund of NELSIP project had not become as popular. It had been planned to construct a trade center for earning revenue in this place and change it as revenue earning center.

(c) Solid Waste Management

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
A building had been constructed at a cost of Rs. 5,027,617 for implementing compost and recycling projects in respect of disposing garbage under the purview of the Sabha and handed over to the Sabha. However, no meaningful	Meaningful actions should be taken by the Sabha quickly to carry out these solid waste management activities by connecting with the purpose of this building construction in a useful manner.	A work scheme for constructing a center in respect of changing solid wastes as composts at Mullivaikkaal had been completed and the initial activities relating to segregating and changing them as

actions had not been commenced by the Sabha to implement these activities up to now.

compost are being carried out now.

(d) Sustainable Development Goals

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
In order to achieve Sustainable Development Goals by 2030, targets to be achieved and gaps in achieving those goals and relevant indicators required for measuring the progress as well had not been recognized by the Sabha as per Sustainable Development Act No. 19 of 2017.	Sustainable development goals should be recognized and actions should be taken in terms of the circulars.	Continuous actions are being taken to implement with the approval of the Ministry of Local Government.

3.2 Management Inefficiencies

Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
(a) No action had been taken to bring the values of 189 library books received as a donation in the year under review and preceding years to financial statements.	The values of all books received by the Sabha as a donation and being used at libraries should be brought to financial statements.	Actions will be taken to establish a valuation committee and assess the values and include them in the financial statements in current year.
(b) No action had been taken to assess and bring the values of 297 items of furniture and office equipment which were issued to the Sabha as a donation and purchased to financial statements.	The values of all furniture and office equipment received by the Sabha as a donation and being used should be brought to financial statements.	Actions will be taken to establish a valuation committee and assess the values and include them in the financial statements.

3.3 Human Resources Management

(a) Vacancies of Cadre

Audit Observations	Recommendations	Comments of the Accounting Officer
(i) It was observed in audit that there were delays in works and development schemes implementations to be carried out by the Sabha due to failure to fill 15 staff vacancies of the Sabha.	Meaningful actions should be taken by the Commissioner of Local Government/ Chief Secretary to recruit approved cadre for the primary level officers required for the daily activities and work implementations of the Sabha.	A request letter for staff shortage of revenue inspector had been sent to the Assistant Commissioner of Local Government by the letter No. NP/14/44(1)/1/1/E1/Cadre/2018-01 of 19 September 2018.
(ii) Duties of Revenue Inspector and Market Supervisors had been done by using the office Employees of the Sabha, thus revenue collection of the Sabha and satisfaction of office employee services had been affected. It was observed that no actions had been taken to carry out the Sabha efficiently through filling staff vacancies.	Meaningful actions should be taken by the Commissioner of Local Government/ the Chief Secretary to recruit approved cadre properly.	Request letter for non-scheduled staff vacancies had been sent through the Assistant Commissioner of Local Government to the Department of Local Government

(b) Employee Loans

Audit Observation	Recommendation	Comment of the Accounting Officer
(i) No any meaningful actions had been taken by the Sabha to recover	(i) Action should be taken to write off by getting proper	Actions should be taken to rectify in current year.

arrears of staff loans totalling Rs. 658,278 recoverable from 07 officers who had retired, deceased and transferred out from the Sabha for the last 10 years in terms of Subsection 4.2.4 of Section 4 of Chapter XXV of Establishment Code and it was remained as arrears continuously.

approval after examined and certified staff loans considered to be write off by the Sabha in all ways.

(ii) Action should be taken to rectify by getting and certifying proper document for paid amount at Department of Building.

(iii) Meaningful actions should be taken by the Sabha to rectify arrears of staff loan balances of 03 officers which were informed as to be rectified in terms of Subsection 4.2.4 of Section 4 of Chapter XXV of Establishment Code.

(ii) No actions had been taken to recover arrears of distress loan totalling Rs. 264,129 from 03 officers who were transferred out to other offices for the last 03 to 04 years.

Actions should be taken by the Sabha to recover from the department which said officers was transferred in.

Actions should be taken to rectify in current year.

(iii) No action had been taken to recover monthly installments of staff loans totalling Rs. 194,446 from 04 officers for 01 to 02 years.

Actions should be taken by the Sabha to recover arrears of staff loans which paid to 03 officers and remained as unrecovered up to now.

Actions should be taken to rectify in current year.

3.4 Assets Management

3.4.1 Failure to recording Assets

Audit Observation	Recommendation	Comment of the Accounting Officer
Action had not been taken to assess and bring values of 15 vehicles belonging to the Sabha for the last 01 to 02 years.	Actions should be taken by the Sabha to assess the values of 15 vehicles belonging to the Sabha by a Government Valuer of an approved Valuer and bring values thereof to the financial statements of the Sabha.	Actions will be taken to assess the values of 15 vehicles belonging to the Sabha by a mechanical engineer and include in the financial statements in current year.

3.4.2 Assets not acquired

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) No meaningful actions had been taken to obtain vehicle registration books of 10 vehicles which were issued by the Government and Non-Government Organizations and being utilized by the Sabha for the last 07 years.	Actions should be taken by the Sabha to obtain vehicle registration books properly and use vehicles which owned by the Sabha.	Continuous action will be taken to obtain registration books of the vehicles which did not have registration books in current year.
(b) Five vehicles issued to the Sabha by the Government and Non-Government Organizations as a donation were being utilized by the Sabha without being transferred ownership thereof to the Pradeshiya Sabha for the last 01 to 06 years.	(i) An inquiry in respect of displaced vehicles in the year 2013 should be conducted and actions should be taken quickly in terms of Financial Regulation 103 and 104. (ii) Actions should be taken by the Sabha to transfer ownership of other 04 vehicles	Continuous action is being taken to get revenue license for transferring ownership of the vehicles.

obtained as donation
to the Sabha

3.4.3 Idle/ Underutilized Assets

Audit Observations	Recommendations	Comments of the Accounting Officer
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(a) Four vehicles issued to the Sabha as a donation had been kept at store for the last 03 years without being utilized.	(i) Meaningful actions should be taken to obtain registration books of the vehicles and utilize them in an optimum level. (ii) Action should be taken by the Sabha to repair and utilize vehicles to be repaired. (iii) Action should be taken to obtain revenue license of other 02 vehicles and utilize them.	Action had been taken to obtain revenue license for them.
(b) Toners valued at Rs. 137,200 for the categories of computers and photocopy machines which were not being used by the Sabha had been purchased and kept at store for the last 02 years without being utilized.	Actions should be taken to made available details of relevant printing machines which were obtained now and check the warranty and usable conditions of said toners and use them. Nevertheless, when relevant machineries had not been received by the Sabha, action should be taken to check the reason for purchasing them and recover such cost from relevant officer/ officers.	Actions had been taken to utilize them.

3.4.4 Annual Board of Survey/ Stock Verification

Audit Observation	Recommendation	Comment of the Accounting Officer
----- It was observed that there were 67 shortages in library books at sub offices, Mullaitivu, Mullivaikkaal and Semmalai of the Sabha as per report on annual board of survey for the year under review and reasons or follow up actions therefor had not been made available to audit up to now.	----- Actions should be taken by the Sabha to find out reasons for shortages recover from relevant librarian/ relevant parties.	----- Continuous action had been taken now to rectify books which shown as shortages at sub offices as per annual board of survey.

3.4.5 Failure to confirm the Security of the Assets

Audit Observation	Recommendation	Comment of the Accounting Officer
----- Double cap vehicle with registered No. NPLL 7767 had met accident on 25 July 2018 while using for travelling to Jaffna District without being obtain proper approval of the Commissioner General of Local Government, Northern Province. However, actions to be taken in terms of Financial Regulation 104 of the Democratic Socialist Republic of Sri Lanka for fixing reason, loss amount and responsibility had not been taken up to now.	----- The Sabha should take meaningful action to conduct an inquiry in terms of Financial Regulation 103 and 104 and complete meaningful actions quickly.	----- Report on accident had been obtained from the officer who travelled by same vehicle and police inquiry also was taken place. Inquiries will be conducted at instance of vehicles accidents by establishing internal inquiry committee at a chair person of Secretary.

3.5 Uneconomic Transactions

Audit Observation	Recommendation	Comment of the Accounting Officer
----- Five types of office requisite goods totalling Rs. 364,653 had been purchased uneconomically and kept at	----- (i) The Sabha should take action to obtain goods requisition for the Sabha by calling from officers	----- It was planned to rectify by considering it in future periods.

store in the year under review without being planned and purchased properly as per necessity.

and prepare purchase plan accordingly and purchase goods as per procurement plan.

- (ii) Actions should be taken to use office requisite goods in a useful manner before ending usage period.

3.6 Procurement

3.6.1 Procurement Plan

Audit Observation

A procurement plan and a procurement time schedule of the Sabha had not been prepared in the year under review and the preceding years.

Recommendation

The Sabha should prepare a procurement plan and a procurement time schedule for the next year and obtain approval therefor and act accordingly.

Comment of the Accounting Officer

Action will be taken for procurement procedures and purchasing activities of work schemes implementing by the Sabha.

3.6.2 Supplies and Services

Audit Observation

Ten electrical equipment totalling Rs. 462,000 purchased in the year under review had not been examined by the Technical Evaluation Committee in terms of subsection 7.11 of section 7 of procurement guideline of 2006.

Recommendation

Technical Evaluation Committee should be established for every different category of goods separately and purchasing should be made as per decision of the Procurement Committee after made evaluation by them.

Comment of the Accounting Officer

Goods purchasing in current year had been examined by the Technical Evaluation Committee and implemented with the recommendation thereof.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Recommendation	Comment of the Accounting Officer
<p>-----</p> <p>Out of work schemes estimated in the year under review, 06 capital work schemes totalling Rs. 21,500,000 had been abandoned without being implemented. Reasons therefor had not been made available to audit.</p>	<p>-----</p> <p>Annual budget of the Sabha should be prepared on appropriate basis in a useful manner and displayed for obtaining comments from the general public and approved by the Sabha. Accordingly, actions should be taken by the Sabha to carry out annual activities and complete effectively in due periods.</p>	<p>-----</p> <p>At preparing budget in current year and future periods, it should be prepared as per decisions of the Sabha by handling a proper mechanism.</p>

4.2 Internal Audit

Audit Observation	Recommendation	Comment of the Accounting Officer
<p>-----</p> <p>An internal audit unit had not been established in order to carry out the activities of the Sabha efficiently through audit of its activities and internal examination of account had not been carried out for the year under review.</p>	<p>-----</p> <p>Actions should be taken in terms of Financial Regulation 134(2).</p>	<p>-----</p> <p>Actions will be taken to establish an internal audit unit in current year.</p>