

**Eravur Pattu Pradeshiya Sabha**  
**Batticaloa District**

**1. Financial Statements**  
-----

**1.1 Presentation of Financial Statements**  
-----

The financial Statements for the year 2018 had been presented for audit on 18 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 08 May 2019 and 31 May 2019 respectively.

**1.2 Qualified Opinion**  
-----

In my opinion, except for the effect of the matters described in paragraph 1.3, financial statements give a true and fair view of the financial position of the Eravur Pattu 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**  
-----

**Presentation of Financial Statements**  
-----

<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
Even though the financial statements for the year under review should be furnished to the audit before 31 March 2019, it had been furnished on 15 May 2019 with a delay of 45 days.	Financial statements should be furnished to the audit before the due date.	Will be furnished in future.

**1.3.1 Accounting Policies**  
-----

<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
The Financial Statements did not disclose the accounting policies adopted by the Council for the presentation of financial statements.	Accounting policies followed should be disclosed in the financial statements.	Will be presented in future.

### 1.3.2 Accounting Deficiencies

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
(a) Although the total machinery and vehicles of the Sabha is 41, the value of each unit has not been assessed by the Department of Valuation and brought to final accounts and the total amount of Rs 12,534,720 relating to those only been disclosed.	The accurate amount of the assets should be taken to the final accounts.	Action will be taken to value from the Valuation Department.
(b) Lands and buildings were not listed and valued by the Department of Valuation and brought to the final accounts.	The accurate amount of the assets should be taken to the final accounts.	Accepted.
(c) The value of 800 books amounting to Rs. 102,270 that have not been returned by readers had not been valued and deducted from the closing book stock and shown as assets.	.Action should be taken to remove from the accounts.	Action had been taken to recover.
(d) Stamp duty Receivable of Rs.5,521,950 had not disclosed in final accounts.	The accurate amount should be taken to the final accounts.	Accepted. Action will be taken.
(e) Courts fine Receivable of Rs.174,125 had not disclosed in final accounts.	The accurate amount should be disclosed in the final accounts.	Accepted. Action will be taken.
(f) The value of the Montero No. AE-8132, donated by UNOPS in 2017, has not been valued and brought to the financial statements. As a result, the net asset was undervalued from this amount.	The accurate amount of the assets should be taken to the final accounts.	Action will be taken in the year under review.
(g) The Solid Waste Management Centre valued at Rs.276 million was handed over to the House by UNOPS in April 2017, but these assets were not disclosed in the financial statements.	The accurate amount of the assets should be taken to the final accounts.	Action will be taken to account in future.

- (h) Rural Water Supply Plan valued at Rs.40 million was completed and handed over to the Sabha by the JICA program in May 2015 but these assets were not disclosed in the financial statements. The accurate amount of the assets should be taken to the final accounts. Action will be taken to account in future.

#### 1.4 Non-Compliance

##### Non-compliance with Laws, Rules, Regulations and Management Decisions

	<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Non-compliance</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a)	<b>Pradeshia Sabha Regulations (Finance and Administration) of 1988</b>			
(i)	Chapter III Section 59	At the end of each quarter, it was not presented application for stamp duty refunds relating to transfer of land to the Registrar General, Application for refund of fees relating to other transactions to the Director of the Treasury, Fines and Refund Requests to the Court Registrar.	Action should be taken accordingly.	Action will be taken in future.
(ii)	Chapter III Section 81	At the beginning of each year, the calculations of trade tax in the area had not been implemented and a list of trade taxes had not been prepared.	Should prepare a list of taxes.	Action will be taken in future.

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

- (i) Financial Regulation 571 Action had not been taken regarding lapsed deposits over 2 years amounting to Rs. 641,548 to pay back and settle or transfer to the income in accordance with the provisions of the Financial Regulations. Financial Regulations should be followed. Action will be taken in future..

**2. Financial Review**  
-----

**2.1 Financial Result**  
-----

According to the financial statements presented, the revenue over recurrent expenditure for the year ended 31 December 2018 amounted to Rs. 33,302,965 when compared with the revenue over recurrent expenditure of the preceding year amounted to Rs. 20,284,742, thus an improvement of Rs.13,018,223 had been indicated in the financial result.

**2.2 Revenue Administration**  
-----

**2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Arrears Revenue**  
-----

An arrears of Rs. 9,968,140 had been existed from the year 1993 without recovered according to the audit of estimated revenue, listed revenue, collected revenue and arrears of revenue relating to the year under review and previous year as per the information submitted.

**2.2.2 Performance of Revenue Collection**  
-----

<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
Although the arrears to be recovered at the beginning of the year was Rs. 7,039,879, It was observed by the end of the year that it had increased further.	Arrears income should be recovered properly.	Action will be taken in future..

### 2.2.3 Rates and Taxes

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Only a sum of Rs.85,000 had been levied as Rates and taxes during the year under review. The arrears amount of Rs. 992,081 at the previous year remained the same in this year too.	Arrears income should be recovered properly.	Action will be taken to recover.

### 2.2.4 Shop Rent

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Only a sum of Rs. 10,142,300 had been levied as shop rent during the year under review and the outstanding value was Rs.3,047,521.	Arrears income should be recovered properly.	Action will be taken to recover.

### 2.2.5 License Fee

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
A sum of Rs. 786,516 had been levied as license fee during the year under review and there was no arrears had been shown.	Arrears income should be recovered properly.	Action will be taken to recover.

### 2.2.6 Other Revenue

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Even though a sum of Rs.77,173,140 had been received as other income, a sum of Rs.5,928,536 had been shown as arrears.	Arrears income should be recovered properly.	Action will be taken to recover.

## 2.2.7 Courts Fines and Stamp Duty

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Court fines of Rs. 174,125 and stamp fees of Rs. 5,521,950 had to be received by as at 31 December 2018 from the Chief Secretary of the Provincial Council and all authorities.	Action should be taken to recover.	Action will be taken to recover.

## 3. Operational Review

### 3.1 Performance

#### (a) Solid Waste Management

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
UNOPS signed an agreement In April 2017 to build this centre on a 50 acre site at a cost of approximately Rs. 400 million to collect and manage decaying and non-decaying garbage collected by 07 Local Authorities in the Batticaloa District. Accordingly, the centre will collect garbage and non-decaying garbage which is collected by the 07 local authorities and it was also agreed to charge Rs. 630 per ton. Accordingly, most of the Sabhas were carried garbage but Solid waste sent by local authorities was also declining due to the Sabha has increased this fee up to Rs.1,800.	Suitable fees should be charged.	Will be considered in future.

**(b) Sustainable Development Goals**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
According to the decision of the Sustainable Development Conference of 2015, led by the Heads of State of the United Nations Member States, Sabha did not establish the indicators for the Sustainable Development Programs Agenda to be achieved by 2030.	Should be established the indicators for Sustainable Development Goals.	Action will be taken in future.

**3.2 Management Inefficiencies**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<b>Drinking Water Distribution Project of Kardiyanaaru</b>		
(a) Rural Drinking Water Supply Scheme was implemented through JICA Loan Program at Kardiyanaaru in Eravur Pattu Pradeshiya Sabha area. It will be able to distribute drinking water to 400 families on an average. This was done through three contractual agreements (building construction work, electrical connection engineering work and pipeline work) at an average cost of Rs. 40 million. Further, it was spent a sum of Rs. 1,782,820 obtained from Plan Lanka to provide water to the houses and it has been maintained by the Eravur Pattu Pradeshiya Sabha since May 2015, but the water was not distributed by the distribution project of the Sabha to the public.	Immediate action should be taken to provide drinking water.	Action is being taking.

- (b) According to the cash book maintained in the year under review of the Sabha, cash balances existed ranged from Rs. 25 million to Rs. 30 million. Nevertheless, the Sabha had lost nearly an income of Rs. 02 million because action had not been taken to invest effectively and generate revenue.
- Action should be taken to properly administrate the Sabha cash.
- Action will be taken to invest in a suitable investment.

### 3.3 Human Resource Management

----- <b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
(a) When recruiting officers on contract basis, the employees should be recruited only on casual and contract basis after obtaining the prior approval of the Department of Management Services and obtaining consent for the allocation of funds. However, 116 employees were recruited on a casual and contract basis in 2015 without prior approval and consent. As a result, there were currently 16 employees in excess to the approved cadre.	The Public Administration Circular No. 25/2014 should be considered when recruiting officers.	Attention will be made in future.
(b) Arrears loan of Rs.583,445 which should be recovered from 7 employees who were resigned their posts, retired, dismissed and transferred 5 years ago continuously shown in financial statements, without taking action to recover from the relevant persons or guarantors.	Immediate action should be taken to recover.	Action had been taken continuously.



### 3.4 Assets Management

#### 3.4.1 Assets not Recorded

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Action had not been taken by the Sabha for identify all the lands and buildings owned by the Sabha and activities for marking even by the year under review.	Lands and buildings should be identified and recorded.	Action will be taken in future.

#### 3.4.2 Vehicle Utilization

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Fuel consumption reports regarding 22 vehicles owned by the Sabha had not been obtained from the Mechanical Engineer more than one year. Vehicle registration book had not been obtained more than 07 years as per the provisions of the Act of Department of Motor Vehicle.	Fuel consumption reports should be obtained from the Mechanical Engineer.	Action had been taken.

### 3.5 Assets Management

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
A sum of Rs. 1,290,095 had been spent for install street electric bulbs during the year under review. Issuing and receiving of this was not properly recorded according to the Financial Regulation 751(1). It was purchased more than the necessity without considering the need and public requirements.	It should be documented properly.	Action will be taken in future to document properly.

**3.6 Procurement**

-----

**Procurement Plan**

-----

**Audit Observation**

**Recommendation**

**Comments of the Accounting  
Officer**

-----

-----

-----

Action had not been taken to prepare a procurement plan for the year under review and procure accordingly.

A procurement plan should be prepared.

Will be prepared in the future.