

**Manmunai South Eruvil Pattu Pradeshiya Sabha**

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**Batticaloa District**  
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**1. Financial Statements**  
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**1.1 Presentation of Financial Statements**  
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The financial Statements for the year 2018 had been presented for audit on 22 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 30 May 2019 and 31 May 2019 respectively.

**1.2 Qualified Opinion**  
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In my opinion, except for the effect of the matters described in paragraph of basis for qualified opinion, financial statements give a true and fair view of the financial position of the Manmunai South Eruvil 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**  
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**1.3.1 Accounting Policies**  
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Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
The Financial Statements did not disclose the accounting policies adopted by the Sabha for the presentation of financial statements.	Accounting policies should be disclosed in the financial statements.	Instructions have been given to prepare according to the Public Sector Accounting Standards in the future.

**1.3.2 Accounting Deficiencies**  
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Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) At the end of the year under review, arrears of Rate and Tax on 3,700 properties in the Kaludawalai division in the Sabha area were estimated at Rs. 260,850. Nevertheless, the financial statements presented by the	Section 16 (2) of the Pradeshiya Sabha Act No.15 of 1987, the Rates and Taxes should be properly accounted for by billing, charging and calculating arrears.	Arrangements have been made to show that Rs.260,850 of arrears Rates and Taxes for 3,700 properties in the Kaludawalai area within our Sabha area.

Pradeshiya Sabha showed a zero value due to that the arrears of valuation had not been assessed properly and accounted for in the year under review.

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| (b) | From the Stamp Duty for the year under review out of the amount of Rs. 16,740,721 relating to the year 2016, 1% or Rs. 168,911 which was collected from the Eastern Treasury as administrative expenses and a sum of Rs. 242,500 paid to the Assistant Land Registrar General of Batticaloa and Kalmunai had not been shown in the accounts. | All revenues should be shown in the accounts and deductions thereon.   | The Pradeshiya Sabha has taken action to specify in the accounts of the total stamp duty deduction.  |
| (c) | The Pradeshiya Sabha is being using 06 cars and carts belonging to the Sabha and 05 vehicles belonging to other ministries and departments. The value of the cars and carts belonging to the Sabha had been shown as a total of Rs.13,147,425, without valuation or revaluation for over 05 years.   | Regarding motor vehicles and carts and vehicles belonging to other ministries and departments, the values had not been taken to accounts by documentation and transfer of ownership. | The value of motor vehicles belonging to the Sabha amounted to Rs.13,147,425. The value of the JCB machine in the year 2017 amounting to Rs. 11.5 million also included there. As a result, we take over the ownership of vehicles belonging to the Sabha and other Departments and actions have been taken to revalue and account for. Currently the value of the vehicles has been revalued. |
| (d) | Three computer sets and a photocopier were donated by the Ministry of Local Government and Provincial Councils worth Rs. 450,240 to decorate the front office of the Sabha for the year under review, and they were not accounted for.   | Total amount of Rs.450,240 of 03 computer sets and photocopier should be accounted for.  | Arrangements have been made to account of the value of computers and printers provided by the Ministry of Local Government for the use of the Front Office System of the Sabha.  |

### 1.3.3 Contingent Liabilities

As of 31 December 2018, the council had filed a case against external parties on 12 December 2011, and the financial statements were not disclosed in this regard. Details are shown below.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
On 19 January 2009, the Pradeshiya Sabha gave the boat and its apparatus worth Rs. 460,000 in terms of the loan recovery agreement. Nevertheless, the lawsuit was filed against the non-payment of instalments and the costs were not reported as contingent liabilities.	Contingent liabilities should be calculated and shown in the financial statements.	It is decided to disclose the loss on case in the accounts as Contingent liabilities

### 1.3.4 Accounts Receivables and Payables

#### (a) Accounts Receivables

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
The outstanding electricity loan of Rs.1,656,338 in the financial statements has been in the accounts for over 10 consecutive years. Nevertheless, documents and corroborative evidence were presented in the accounts and no action was taken to recover the loan or write-off from the books.	Action should be taken to recover receivables.	Prior to 1987, when it was a 'Gam Sabha', the Gam Sabha had provided electricity for service purposes. After the change to the Pradeshiya Sabhas, from 1987, the electrical services were handed over to the Electricity Board. The details of electricity charges provided to the public, advances given to the CEB during the same period could not be charged or write-off from the books due to lack of details in the books.

**(b) Accounts Payable**

Audit Observation	Recommendation	Comments of the Accounting Officer
No action has been taken to identify or settle them or write-off for more than 05 years of Creditors of Rs.406,537 distribution loan of Rs.2,069,410 shown as creditors in the financial statements.	Taking action to clear or pay off the outstanding balance.	Action has been taken to identify or settle them or write-off for more than 05 years of Creditors of Rs.406,537 electricity distribution loan of Rs.2,069,410 shown as creditors in the financial statements.

**1.3.5 Documentary Evidences not made available for Audit**

Information had not been furnished	Recommendation	Comments of the Accounting Officer
Following 06 Accounts Items amounting to Rs. 195,232,508, could not be satisfactorily vouched in the audit due to lack of evidence.	Submit evidences for verify account balances as stated in the financial statements.	Evidence has been found for several fixed assets, such as land and buildings, machinery and cars and steps have been taken to obtain the documentation for others. Furthermore, information about the distribution of electricity and the expenses creditors could not be obtained.

**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-Compliance	Recommendation	Comments of the Accounting Officer
(a) Section 12 (1) and (2) of the Pradeshiya Sabha Act No.15 of	Although separate committees have been set up in the month of May	The Standing Committees shall be constituted in	Steps have been taken to implement the committees

1987 and subsection 31 (1) of the Gazette Notification No. 488/16 of 13 January 1988 of the Ministry of Local Government Housing and Industry

2015 for the purpose of easing the functions of the Pradeshia Sabha, to make a complete decision and for matters such as council funds, policy planning, housing construction, social development, technical services, environmental and public utilities, action had not been taken to conduct committee meetings even by the audit date of 25 July 2019.

accordance with the relevant provisions and shall be instructed to implement them in a proper manner.

established to facilitate the activities of the Sabha.

(b) Section 193 of the Pradeshia Sabha (Financial and Administrative) Rules 1988

Actual Revenue and Expenditure Details for the year under review were not compared to the budget plan and a statement containing explanations for the variation was not submitted to the audit.

Statements should be prepared in time and submitted to audit.

Action has been taken to include the budget plan and the report, reasons for actual receipts.

**1.4.2 Non-compliance with the Tax Requirements**  
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Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
According to the Section 20 of the Value Added Tax (VAT) Act, No. 14 of 2002 issued by the Department of Inland Revenue and the Procurement Guidelines 5.4.11, When a supplier or contractor makes a VAT claim, and when he or she presents a VAT invoice, he can be paid VAT. A sum of Rs.108,548 was paid as VAT to various suppliers for goods purchased in the year under review. However, VAT Invoices did not receive from those suppliers. Also,	Should comply with the provisions of the Inland Revenue Act.	Action had been taken to submit the VAT payments to the Department of Inland Revenue and the Auditor General

the Department of Inland Revenue and the Auditor General were not informed of the VAT paid.

## 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. 20,586,408 when compared with the revenue over recurrent expenditure of the preceding year amounted to Rs. 10,691,626, thus an improvement of Rs. 9,894,782 in the financial results had been indicated.

### 2.2 Revenue Administration

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

Information of estimated revenue, billed revenue, collected revenue and arrears of revenue relating to the year under review and previous year are shown below.

Revenue Item	2017				2016			
	Estimated Revenue	Billed Revenue	Recovered Revenue	Arrears as at 31 December	Estimated Revenue	Billed Revenue	Recovered Revenue	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	1,200,000	1,828,310	1,828,310	---	762,000	1,435,800	874,750	561,050
(ii) Rental	15,174,400	18,556,129	14,753,576	3,802,553	15,374,400	19,019,207	13,609,625	5,409,582
(iii) Licence Fee	1,250,000	2,412,093	1,617,020	795,073	8,125,000	2,139,760	8,659,943	6,520,183
(iv) Other Revenue	62,955,640	45,988,563	36,178,461	9,810,102	12,250,000	30,812,247	14,755,443	16,056,804

#### 2.2.2 Performance of Revenue Collection

	Audit Observation	Recommendation	Comments of the Accounting Officer
(a)	Action had not been taken to collect the rental amount Rs. 3,802,553 so far.	Action should be taken to recover arrears rental amounting to Rs.3,802,553	The arrears of rent amounted to Rs.3,802,553 was existed for a long time for the period from the year 1985 to the year 2011. The reason for this was that the crisis situation prevailed in the country from 1985 to 2009, which was irrevocably abandoned. However, there was no

progress, even though letters were sent to the relevant authorities on various occasions. Even so, in the year 2018, a sum of Rs.245,000 had been recovered.

Steps have been taken to account the value for the year 2017.

- (b) Stamp Duty for the year under review had been charged for the year 2016. Nevertheless, the income receivable of the Sabha for the years 2017 and 2018 was not stated in the accounts and action had not been taken to recover them.
- Action should be taken to collect stamp duty within the year under review.

**2.2.3 Rates and Taxes**

----- <b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
(a) There were 15 villages in 11 divisions of Pradeshiya Sabha and only 06 villages were assessed and taxed in the period from 2016 to 2018. The procedure for collecting Rates and Taxes for 09 other villages under the Sabha was in slow motion.	Should act in accordance with the ordinances of the Pradeshiya Sabha.	There were 15 villages in 11 divisions of Pradeshiya Sabha and only 06 villages were assessed and taxed. The decision to collect Rates and Taxes for the remaining 09 villages was taken in November and sent to the Assistant Commissioner of Local Government for consultation.
(b) Form "K", which is given annually by the Sabha to the property owners for the payment of Rates and tax, states that the property owners will be given a discount on the payment of Rates and tax before the due date. However, these forms were given to property owners after the expiry of the due date. This caused the property owners to	Should act in accordance with the ordinances of the Pradeshiya Sabha.	There is a dearth of human resources required to implement Assessment Tax in time. Human Resources have not been approved for the post of "Tax Collector" for recovering Rates and Tax. Recovery activities are being carried out by 04 casual employees in our Sabha. Due to this, it is not possible to

lose the discount on the Rates and tax.

send “K” forms in due time.

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| <p>(c) The Budget Plan Summary for the year 2018 presented by the Pradeshiya Sabha stated that a sum of Rs.1,200,000 could be obtained in respect of Rates and taxes. Nevertheless, the documents and books revealed that it could collect more than Rs.1,400,000, including actual arrears, for the year under review.</p> | <p>In line with the regulations of the pradeshiya sabha, action should be taken to introduce new technology for recovery.</p> | <p>Estimated value of assessment tax for 2018 is Rs.1,200,000. However, it was stated that over Rs.1,400,000 could be charged, including the actual outstanding amount for the year under review. Nevertheless, in 2018, more than the expected value a sum of Rs1,828,310 has been recovered.</p> |
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**2.2.4 Other Revenue**

**Operation of the JCB machine**

The new Pradeshiya Sabha had purchased the machine in February 2017 with the agreement in order to purchase a JCB machine under the Local Loan and Development Fund (LLDF). The following observations are made regarding the operation of this machine.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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<p>(a) As the Pradeshiya Sabha did not have sufficient funds to purchase the machine, the council decided to purchase the JCB machine with a loan from the Local Loan and Development Fund. For the purpose of to raise the income of the Sabha it was purchased for a sum of Rs. 11,500,000 as Rs.2,300,000 from the council fund and Rs.9,200,000 from the loan fund. However, by using this machine, only it was incurred losses.</p>	<p>When purchasing a machine it should be conduct a survey on future revenue and development of the Sabha and make purchases.</p>	<p>The JCB machine was purchased with the objective of increasing the income of the Sabha and use in the event and in the disasters such as floods. This has not been able to generate the income expected by the Sabha. This is due to the fact that in 2017, a new company was offering the machine for competitively low rates. As a result, the expected revenue was not earned.</p>



- (b) This machine, purchased for generating revenue to the Pradeshiya Sabha, had lost a sum of Rs.1,150,200 from 383.40 hours providing free service to the schools, religious places, public institutions and government departments in addition to the activities of the Sabha. Focus should be on reducing the losses incurred by free delivery. The JCB machine was purchased with the intention of earning revenue. Nevertheless, the Sabha cannot prevent the providing free services to the schools, public institutions and religious places. At present it has been decided to charge Rs. 1,500.00 per hour from schools, religious places, public institutions and government departments.
- (c) These machines had been utilized a 940.50 machine hours by the Pradeshiya Sabha during the year under review. Accordingly, a sum of Rs. 4,681,818 had been spent on fuel, repairs, driver's salary and loan repayment of machinery. The machine had utilized 557.15 hours other than the work of the Sabha and had earned only a sum of Rs.1,671,450. When this process was surveyed, the Sabha had to lose nearly Rs.2,500,000 annually. Should be focused on income sources. There were heavy machinery repairs, driver's wages, and fuel and machine loans. Loan for the machine is a long term investment. Therefore, it is an asset of the Sabha. Other expenses cannot be avoided. It is possible to make profit in the long run.

### 2.2.5 Stamp Duty and Courts Fines

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Courts fines amounting to Rs. 8,005,554 and stamp duty amounting to Rs. 28,207,248 had been receivable from the Chief Secretary and all officers of the Provincial Council as at 31 December 2018.

#### Stamp Duty

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The following observations are made regarding the collected stamp fees from the Provincial Land Registry Departments of Batticaloa and Kalmunai and the payment of stamp duty paid to the Provincial Treasury Income Tax Department of the Eastern Province on the transfer of lands in the accounts of the Pradeshiya Sabha for the years 2017 and 2018.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) Even though stamp duty should be charged in terms of Section 03 of the Stamp Duty Amendment Act No. 06 of 2010 of Eastern Provincial Council, the Pradeshiya Sabha had not calculated the stamp duty for the period from January to 31 December 2018 and collected it from the Registrar General in due course.	Action should be taken by the Pradeshiya Sabha to collect the stamp duty from the Commissioner General and to recover it within the stipulated time.	Action should be taken to recover it within the stipulated time.
(b) In terms of Section 37 of the Finance and Law Ac No. 01 of 2008 relating to Imposing and Collecting Taxes and Fees from the Inland Revenue Department of the Eastern Province, action had not been taken to calculate and recover the stamp duty paid by the property owners to the Eastern Provincial Inland Revenue Department in respect of additional stamp duty charged by direct and mobile services, when transferring real estate in the Pradeshiya Sabha area for the period 2016, 2017 and up to December 2018.	Action should be taken to impose and collect taxes and fees in terms of Eastern Provincial Council Act No.01 of 2008, calculate and recover the stamp duty from the Register General on due time as per the section 37 of Financial Administration Act.	Information has been obtained on this matter and action has been taken to recover it.

### 3. Operational Review

#### 3.1 Performance

Following matters were revealed relating to the functions which should be performed by the Sabha to regulate and administrate public health, public utility services and public roads and luxury, convenience and welfare of the people under section 3 of the Pradeshiya Sabha Act.

**(a) By Laws**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
In terms of Section 126 of the Pradeshiya Sabha Act No.15 of 1987, by-laws should be imposed and implemented in respect of the revenue and regulation of the Pradeshiya Sabha on 13 key issues. Nevertheless, the Pradeshiya Sabha had sent proposals on by-laws on August 4, 2012 to the Ministry of Local Government in the Eastern Province for approval but, As action had not been taken to obtained approval and implement even as at 31 December 2018.	In terms of Section 126 of the Pradeshiya Sabha Act No.15 of 1987, by-laws should be drawn up and implemented.	We have forwarded the opinion of the by-laws on 04 August 2012 for approval of the Ministry of Local Government of the East. Subsequently, the Sabha was dissolved in 2013. Nevertheless, it is the Sabha's responsibility to disapprove. Currently the proposals have been sent to the Secretary to the Ministry with the approval of the Sabah to the by-law.

**(b) Annual Action Plan**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
In terms of Section 126 of the Pradeshiya Sabha Act No.15 of 1987, by-laws should be imposed and implemented in respect of the revenue and regulation of the Pradeshiya Sabha on 13 key issues. However, the annual action plan had not been prepared for the 13 activities that the Sabha had to implement in terms of the by-laws that had been prepared for approval.	In terms of Section 126 of the Pradeshiya Sabha Act No.15 of 1987, by-laws should be drawn up and implemented.	Since the by-laws of our council had not been approved by the Ministry of Local Government, the annual action plan had not been prepared and the functions had been carried out in terms of the Sabha Act No 35 of 1985.

**(c) Non Implementation of Financial Provisions**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
In terms of the Annual Action Plan prepared by the Sabha based on the Sabha funds and the Eastern Provincial Specific Development Grants for the year under review, out of the 22 functions which were to be implemented by the Sabha, only 11 were planned for implementation in the year under review. Other functions were modified and implemented according to the recommendations of the Sabha. Due to this, 11 projects identified as required by the public have not been implemented.	Take action to integrate and implement new plans.	In preparing the Annual Action Plan for 2018 in the year 2017, the members of the Pradeshiya Sabha were not elected. After the commencement of the work of the Sabha in 2018, many changes were made to the plan and with the approval of the Sabha the new plans were incorporated and implemented. Because of this, many plans could not be implemented.

**(d) Solid Waste Management**

A sum of Rs.4,752,654 was spent on long term and short term programs implemented by the Council on Solid Waste Management. However, the income of the council was Rs. 1,152,040. The following observations are made regarding solid waste management.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
The Sabha had prepared a 05 year plan for solid waste management which was planned to approve and implement by the then Sabha. This plan has not yet been implemented in order to develop the solid waste management drivers for the proposed program, establish garbage collection vehicles, increase health workers and environmental protection committees in the villages.	Establishment of Environmental Protection Committees in the villages and the implementation of this through Community Centres under the control of the Sabha.	Human Resources for Solid Waste Management has been prepared and sent through the Assistant Commissioner of Local Government. Similarly, requests for vehicles for garbage collection have been sent to the Ministry of Local Government. In addition to establishing environmental protection committees in villages, this is being done through community centres run by our Sabha.

**(e) Sustainable Development Goals**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
The decision of the Sustainable Development Conference of 2015, led by the Heads of States of the United Nations member states, the Sabha had not establish the indicators for the Sustainable Development Programs Agenda to be achieved by 2030.	Complying with the decisions of the Sustainable Development Conference 2015.	The measures set by the United Nations leaders on sustainable development have not been established to achieve the goals. Nevertheless, operational activities for that are underway. Together with the medical officer, to maintain the mothers and infants care providing nutritional food plans for pregnant mothers, checking the water used in the cafeteria, taking measures to maintain a clean and healthy environment, and providing free educational facilities to the students suffering from poverty.

**3.2 Management Inefficiencies**  
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**(i) Establishing a Front Office**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
A sum of Rs. 450,240 and a sum of Rs.180,000 had been spent on purchase office equipment and other equipment For the establishment of a front office with the assistance of the Ministry of Provincial Councils and Local Government in the year under review with the aim of facilitating the people in the area, ie Local Government Information, Council Information, Development Information and Disaster	Action to be taken in the year under review.	The Sabha, having taken the responsibility of the year under review for the establishment of the Front Office, was unable to act swiftly. It is to be implemented in the year under review.

Assistance. Nevertheless, the front office had not yet been established by the Sabha even the audit date of the 31 March 2019 and the furniture and equipment are used for other purposes in the office.

**(b) Using the Leave Register**

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer</b> -----
In the audit of the leave register maintained for the officers and employees of the Sabha, the details of leaves relating to the previous years had not been recorded. Because of this, information about an officer's previous year leaves was not immediately available.	Leaves should be documented properly.	Action had been taken to enter previous year leave records in the leave register of the Sabha.

**3.3 Failure to recover losses and damages**

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer</b> -----
Since the electricity tariff in 12 shops in the general market owned by the Sabha had not been paid up to the year under review by the persons who obtained these stalls before 2009, the arrears of Rs.591,317 had been paid to the Electricity Board without recovering from the related person and this value was a loss to the Sabha.	Decisions of the Sabha should be taken as that such errors do not occur in future.	At the top floor of the Kalawanchikudi general market, 12 stalls have been rented for a long time. Since the electricity meter was not used, the amount was calculated as the rent for the meter. The amount was paid due to it would have been cheaper to get electricity by paying the said rent and connecting it to the new shops rather than the cost of getting the new electrical connections for the new 21 stalls. Approval for payment of this has been received from the Assistant Commissioner of Local Government.

### 3.4 Operational Inefficiencies

----- Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Annually, the council should send "K" form to property owners to collect rates. Section 134 of the Pradeshiya Sabha Act No.15 of 1987, although it is stated that the lands and houses and buildings built in the Pradeshiya Sabha should be levied, assessment tax return forms for 2018 have been made available to property owners after the expiry of January 2018.	Provide services to the public by implementing a systematic plan for these actions.	There are 04 tax collectors in the year 2018. Therefore, duties such as issuing assessment forms, had to be done by only 04 tax collectors. Due to the shortage of employees, forms could not be issued.
(b) In the case of leasing of property belonging to the Sabha, it was stated in the agreement that the guarantee register of should be received, such register or guarantee register had not been received. Therefore, when the lessee does not pay the lease, the Sabha may lose income.	Should Comply with the provisions of the Act.	When leasing out property belonging to the Sabha, 50% of the lease amount will be received within 2 weeks of contracting. The balance is charged in six equal instalments. In case of default payment for the first two months, his contract will be terminated. Therefore, there is no situation of loss of revenue for the Sabha. There is an additional expense involved in transferring the guarantees to the name of the Sabha.
(c) In terms of Section 154 of the Pradeshiya Sabha Act No 15 of 1987, 1% sales tax should be levied on certain selected land sales. However, action has not been taken to charge a sum of	Action should be taken to recover in terms of Section 154 of the Pradeshiya Sabha Act No 15 of 1987.	A 1% sales tax on sales is taxable only when the land is sold at a public auction. A copy of the letter of the Assistant Commissioner of Local Government has been attached in this regard.

Rs.3,332,542 as tax on the lands sold in 2017 and 2018 for an amount of Rs.333,254,236.

### 3.5 **Assets Management**

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#### 3.5.1 **Assets not Documented**

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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Even though as per the accounts the total amount of lands and buildings belonging to the Sabha up to the end of the year under review was amounted to Rs. 177,218,704, the Sabha had not taken steps to record movable and immovable property in the fixed assets register.	The Sabha had not taken steps to document the fixed assets.	The total amount of lands and buildings belonging to the Sabha up to the end of the year under review was amounted to Rs. 177,218,704. Approximately 60% of this is the inclusion of capital expenditures incurred by road renovation. The rest is the value of land and buildings. Therefore, arrangements have been made to list them in the Fixed Assets Register.

#### 3.5.2 **Maintenance and Repairs not Done**

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) With regard to maintenance and repair of assets used by the Pradeshiya Sabha, A bicycle, three-wheeler, tractor, small-scale tractor, JCB machine and motor grinder belonging to the Sabha have been in repairable or non-repairable condition for over 03 years. No action was taken to repair or sell these by auctions.	Action to be taken for repairs or auctions.	We have discussed with the Eastern Provincial Mechanical Engineer to arrange the assets of the Sabha for repair which can be repaired and for sale if they cannot be repaired the assets of the council.



- (b) In the Pradeshiya Sabha storeroom there were different types of assets and inventory items, both suitable and unsuitable for use. However, actions had not been taken to repaired or destroy. Also, the appropriate items for use were not properly packed and kept safe.
- Action should be taken in a systematic manner.
- The Pradeshiya Sabha has identified various items in the warehouse, identifying and repairing the usable ones, and taking action to sell or destroy the rest by auctioning.

### 3.5.3 Annual Board of Survey

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The Annual Board of Survey for the year under review was conducted by the three member committee appointed by the Pradeshiya Sabha on 30, 31 January and 1 February 2019 and a sum of Rs.6,000 had been paid for this. Following observations are made relating to this survey.

	<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a)	The officers who were appointed to carry out the annual board of survey were not marked, verified and signed on the inventory register as a disclosure that they were computed with the inventory to verify the actual existence of the goods.	Processes need to be followed.	In carrying out the Annual Board of Survey for the year under review, the Treasury and Audit format submitted to them was verified and compared with the inventory, after verified the inventory. Nevertheless, the inventory register could not be signed by mistake.
(b)	The annual board of survey for the year under review should be conducted based on 31 December 2018. Further, the final inventory should be calculated by adjusting for inflows and releases after this date, but the survey was carried out without paying attention to these calculations.	Should carry out annual Board of survey properly.	The annual board of survey for the year under review should be conducted based on 31 December 2018. Nevertheless, it is effective to pay attention to the information received on stocks received after 31.12.2018.

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| (c) | The items marked with an "S" in the general format "47" by the Annual Board of Survey, on the date of audit of 30 April 2019, it was found in the inspection that the number of marked items was statistically different.  | Should carry out annual Board of survey properly. | The new officer in charge of the warehouse could not confirm the number of items referred as "B" in Form 47 by the Annual Board of Review. Because, they are in the public libraries of our Sabha.  |
| (d) | Items in the form of "Treasury and Audit - 66" shown by the Annual Board of Survey should be disclosed. Nevertheless, the Board has not conducted separate survey for the purpose of disclosing the above specimen items and the disclosure items in the General form 47. For example, 02 digital cameras that had been corrupted for a long period of time and could not be repaired had been disclosed as using. | Should carry out annual Board of survey properly. | In the case of technical nature items that cannot be repaired, it had to obtain technical reports to confirm that the items were not repairable before being displayed on the Gen-47. Therefore, due to non-availability of it, it was shown in the Treasury and Audit Form 66. |

### 3.6 Transactions without frugal

#### Purchasing and Issuing of Street Lights

The Pradeshiya Sabha had purchased electrical equipment for the installation of street lamps at a cost of Rs. 1,150,845 during the year under review. The following observations are made regarding this process.

Audit Observation	Recommendation	Comments of the Accounting Officer	
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(a)	Although there have been minimal complaints and requests from the public for the purpose of installing street lamps, approval had been received for the purchase of 300 street lamps of the Sabha. These purchases should be done according to the requests made by the public.	These activities should be done in a systematic manner and meet the needs of the public.	The administration of the Pradeshiya Sabha is controlled by the public representatives elected by the public. The chairman is the executing authority. Therefore, the elected representatives of the people of the 11 divisions are responsible for the public needs. Therefore, they decided to purchase 300 street lamps in the

first phase, in line with the number of street lamps needed by their division.

- (b) Each of the 65 power lamps installed on the roads had been purchased for Rs. 1,450. Nevertheless, compared to the other Pradeshiya Sabhas, the energy and prices of the bulbs purchased by the Pradeshiya Sabha were high. Should be properly planned and executed. Based on the utility of the street lighting power 65 installed on the roads, the lighting was high. Because this could have been used one for 04 power poles. Even though its value is high, but its utility time is high.
- (c) In order to purchase lamps for roads, the Council utilizes 95% of the budgetary allocation each year. These purchases were made based on the personal wishes of the Chairman and the members of the Sabha during the year under review. Should be properly planned and executed. The complaints of our people were informed through councillors. The public has now been informed that they are afraid of the darkness, theft, and other difficulties that prevail at night. Further, the problems relating to road needs of the public, discussions with relevant ministers and obtaining financial grants are being carried out.
- (d) When comparing with previous 02 years, the necessary items had been purchased for street lamps in the years 2016 and 2017 for Rs.658,000 and Rs.584,000 respectively and in the year under review for Rs.1,150,845 and before end of the April 2019 for Rs. 753,938. Street lamp procurement process, which is one of the development activities to be monitored by the Sabha, could be observed expeditiously. Should be properly planned and executed. At the beginning of 2019, the development plans have been implemented with the funding in consultation with ministers on road lighting and road development programs. (C-K) 5M of the Kottaikal Aru road development work had been received. Further, proposals for other plans have been forwarded to the relevant parties.

### 3.7 Procurement

#### 3.7.1 Procurement Plan

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>The procurement plan for the year under review shall be prepared by the Sabha for supply and service. Nevertheless, the Sabha had prepared a procurement plan for the supplies The basic document, the proposals, proposed services in the 4 year development programs of the Local Authorities have not been followed to prepare the procurement plan prepared by the Sabha for services.</p>	<p>The plan should be implemented annually according to the circulars.</p>	<p>The procurement plan for the year under review had not been prepared for the goods and implemented. However, procurement for services had not been made. In preparing it, prioritizing plans has been prepared in accordance with the instructions of the public representatives in line with the complaints made by the public. Therefore, steps will be taken to remedy this in the future.</p>

#### 3.7.2 Supply and Services

##### Purchasing of Plastic Bins for Collecting Garbage

Under the funds of the Sabha and second Level Health Program, it was purchased 71 plastic containers at a cost of Rs. 486,616 for garbage collection and distributed it. Following observations are made in this regard.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>(a) Under the funds of the second Level Health Program a sum of Rs.150,000 were provided for the distribution of garbage bins, collection bins and reusable garbage bags to government agencies and the public. Nevertheless, the council had only purchased 21 plastic containers at a cost of Rs. 143,928 for garbage collection</p>	<p>Must plan and implement properly.</p>	<p>There were difficulties in distributing garbage bins and reusable bags to the public which were purchased under the Second Level Health Program. Because it was a difficult task to choose what kind of garbage bins would be distributed to the public, it was only given to government agencies.</p>

and had given it only to government agencies.

- (b) For the decision taken in June, with the funds of the Sabha, 50 plastic containers were collected and given to government, public institutions and religious places without any resolution. Should be taken action to properly plan and serve the public. To identify areas where solid waste is most likely to be collected, and 50 plastic containers purchased by the Sabha have been made available to government, public institutions and religious places for easy collection.
- (c) The size of the containers that the Sabha had called for quotation was 1040mm x 495mm wide but the size of the pot purchased was 980mm x 480mm wide. Should be checked after purchase and services for goods and services. The council called for the price of the 150Lt, 150 Lt and 200 Lt containers are 500mm height and 950mm wide. Nevertheless, the supplier sent the additional item units on our request container (200 Lt), which were higher in quality and cheaper, it was decided to purchase. Accordingly, the container supplied by the supplier was 200 lt. Nevertheless, there were slight changes in the layout of the measurement.
- (d) The Pradeshiya Sabha paid a sum of Rs. 1,494,167 in October 2018 to the Batticaloa Regional Water Supply and Drainage Board for the laying of drinking water pipes in the Thetrathivu Division under the Provincial Specific Development Grant for the year under review. But it was not completed even by the audit date of 30 April 2019. Therefore, the people living in this area had to face many difficulties due to lack of drinking water. Implement programs to provide services to the public in a timely manner. Under the “SDG” scheme, the drinking water distribution program to the families of Thetrathivu village was not completed in the year 2018. For this purpose the pipe should be laid to the village only through the fence. However, the water level is so high that it is impossible to lay the pipelines. Now that the water levels are dropping due to the drought, I am informed that work is about to commence.

**4. Accountability and Good Governance**

**4.1 Furnishing Financial Statements**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
According to subsection 16 (2) of the National Audit Act No. 19 of 2018, the Annual Performance Report has not been submitted with the financial statements.	Should be act according to subsection 16 (2) of the National Audit Act, No. 19 of 2018	The Annual Performance Report was not presented as it was not aware that it should be presented with the financial statements. Therefore, arrangements have been made to prepare and present in future.

**4.2 Internal Audit**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Internal audits of the Sabha had not taken place during the year under review.	Should have planned and performed the audit work properly.	Currently the Chief Management Officer has been appointed in charge of the Internal Audit and the Internal Audit Report has been submitted.

**4.3 Audit and Management Committee**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
The Audit and Management Committees were not established by the Sabha during the year under review and no Committee Meetings were held.	Should have planned and performed the audit work properly.	The Sabha has planned to conduct Audit and Management Committee meetings.