

Manmunai 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 02 April 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 30May 2019 and 31 May 2019 respectively.

1.2 Qualified Opinion

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 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

1.3.1 Accounting Policies

| 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. | Action is being taken to comply with the Sri Lanka Public Sector Accounting Standards. |

1.3.2 Accounting Deficiencies

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|---|--|--|
| ----- | ----- | ----- |
| (a) By the end of the year under review, the arrears of Rates and Tax on property in one of the 11 divisions of the Pradeshiya Sabha was Rs.86,360. Nevertheless, the arrears balance had been zero, as | Calculations should be made and accounted for based on the Tax register. | The arrears amount of Rs.86,360 of Rates and Taxes are for an empty land. This arrears is shown in the documents as it is difficult to identify landlords who own this empty land and collect tax. |

the arrears of Rates and Tax had not been properly calculated and accounted for in the financial statements presented by the Pradeshiya Sabha.

(b) Stamp Duty is an income to the Pradeshiya Sabha. Nevertheless, the Pradeshiya Sabha had not received the additional stamp duty of Rs.121,000 charged by the Income Tax Department of the Eastern Province even at the audit date of 31 March 2019 and this amount was not accounted.

Pay attention to the mobile services and direct recoveries of the Inland Revenue Department of the Eastern Province.

All necessary steps will be taken to recover the additional charge of Rs.121,000 charged by the Eastern Provincial Income Tax Department. Due to the lack of relevant documentation, it was not focussed in the due time.

1.3.3 Contingent Liabilities

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|---|--|
| <p>The Financial Statements as at 31 December 2018 did not disclose information on a legal action taken against two parties by the Sabha in 2016 and 2017.</p> | <p>Contingent liabilities should be calculated and disclosed in the financial statements.</p> | <p>Attorneys' fees for the two cases that have been filed by external parties against our House have not been stated in the account of contingent liabilities since they were not informed to us in advance.</p> |

1.3.4 Accounts Receivables and Payables

(a) Accounts Receivables

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|---|--|
| <p>Arrears of electricity debtors of Rs.781,370 shown in the financial statements, existing for over 10 consecutive years. Action had not been taken to recover or write-off from account.</p> | <p>Action should be taken to recover the balance due or to write off the books based on the supporting documents.</p> | <p>Receivables and payables are continuously presented as arrears in the financial statements; action is being taken to write-off the arrears.</p> |

(b) Accounts Payables

| 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. 1,998,535 and distribution loan of Rs. 1,958,630 shown as creditors in the financial statements. | Taking action to clear or pay off the outstanding balance. | Receivables and payables are continuously presented as arrears in the financial statements; action is being taken to write-off the amount. |

1.3.5 Documentary Evidences not made available for Audit

Information had not been furnished

Following 06 Accounts Items amounting to Rs. 195,232,508, could not be satisfactorily vouched in the audit due to lack of evidence.

| Account Item | Amount | Evidence not Presented | Recommendation | Comments of the Accounting Officer |
|--|-------------------|--|---|--|
| (i) Land and Buildings | Rs. 47,632,607 | Deeds, Register of Fixed Assets | Submit evidences for verify account balances as stated in the financial statements. | In presenting some of the audit evidence you noted, some of the evidence was incomplete and action was taken to complete it. |
| (ii) Machinery | 5,128,607 | Register of Assets, Documents to verify ownership | | |
| (iii) Motor vehicles | 22,922,155 | Register of Assets, Documents to verify ownership | | |
| (iv) Inventory items of Electrical Equipment | 10,183 | Inventory | | |
| (v) Electricity Distribution loan | 1,958,630 | Payable register | | |
| (vi) Pipe line connection | 999,041 | Assessment Reports, completion reports and payment vouchers. | | |

1.4 Non-Compliances

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 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 | Although separate committees have been set up in the month of May 2015 for the purpose of easing the functions of the Pradeshiya 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 end of the year under review. | The Standing Committees shall be constituted in accordance with the relevant provisions and shall be instructed to implement them in a proper manner. | Due to disagreements among Sabha members, there were delays in establishing permanent committees. These committees will be established and functioning in the year 2019. |
| (b) Section 149 of the Pradeshiya Sabha Act No 15 of 1987 | Based on the Sabha's right to charge certain applicable fees, action must be taken to charge more than 1 percent of the amount its owner receives on a hostel restaurant or lodge. However, these taxes have not been calculated and charged on the basis of the money received. | Action should be taken to recover 1 percentage of the money received in terms of section 149 of the Pradeshiya Sabha Act. | Even though it is difficult to ascertain their actual receipts when we charge a percentage of the money received in terms of Section 149 of the Hostel Pradeshiya Sabha Act in our area, at present, the information obtains from the Income Tax Department and takes action to recover it as per your instructions. |

- | | | | | |
|-----|--|---|---|--|
| (c) | Chapter I Section 193 of the Pradeshiya 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. | Action should be taken according to the provisions of the Act. | This comparison was in the form of a survey. Generally not represented in the final accounts. It will be implemented in the year 2019 and will be prepared according to the new accounting system and added to the accounts. |
| (d) | Section IV of No. 09/2009 dated 16 April 2009 of Ministry of Public Administration and Home Affairs. | The circular states that fingerprints should be verified by the time-based basis for the payment of periodic salaries such as overtime and holiday payments. However, the Pradeshiya Sabha had paid a sum of Rs. 39,343 as the holidays payments for an officers who had not entered the in and out in the fingerprint machine. | Action should be taken to recover the payment as it has been paid contrary to the circular. | The fingerprint machine of our Sabha has been inactive since 2018. Bids have been called for the purchase of a new machine. After that the proper arrangements are made. |

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the recurrent revenue over expenditure for the year ended 31 December 2018 amounted to Rs. 15,041,101 when compared with the revenue over recurrent expenditure of the preceding year amounted to Rs. 10,346,935, thus an improvement of Rs. 4,694,166 had been indicated in the financial result.

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 | 2018 | | | | 2017 | | | |
|-----------------|-------------------|----------------|-------------------|---------------------------|-------------------|----------------|-------------------|---------------------------|
| | 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. |
| Rates and Taxes | 1,500,000 | 1,957,592 | 1,957,592 | - | 1,500,000 | 1,869,820 | 1,870,507 | - |
| Rental | 5,041,700 | 5,236,400 | 4,798,100 | 438,300 | 4,899,600 | 5,502,355 | 5,337,655 | 164,700 |
| Licence Fee | 1,125,000 | 1,651,150 | 1,654,900 | - | 1,090,000 | 1,409,200 | 1,409,200 | - |
| Other Revenue | 1,500,000 | 1,957,592 | 1,957,592 | - | 1,500,000 | 1,869,820 | 1,870,507 | - |

2.2.2. Rates and Tax

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|---|---|---|
| <p>(a) In terms of sections 140 (1) of the Pradeshiya Sabha Act No.15 of 1987, although the Revenue Inspectors of the Sabha had proposed on 21 September 2018 that it should permanent the temporary rate assessments in 27 Grama Niladhari Divisions in 11 Divisions of the Pradeshiya Sabha area and thereby increase the income of the Sabha, action had not been taken as at the audit date of 08 May 2019.</p> | <p>Take action according to the decisions taken.</p> | <p>Decide by the Sabha and taking action to obtain public comments.</p> |
| <p>(b) In terms of sections 140 (1) of the Pradeshiya Sabha Act No.15 of 1987, action had not been taken to assess the rates and recover rates in 27 Grama Niladhari Divisions in 11 Divisions of the Pradeshiya Sabha area.</p> | <p>Action should be taken to assess value in accordance with decisions.</p> | <p>As we have faced legal issues regarding the implementation of the assessment of property in 10 Grama Niladhari Divisions, due to not obtained the approval of the Sabha for the assessment tax levied and for the rest, action had not been taken to assess the value.</p> |

2.2.3 Other Revenue

Operation of the JCB machine

The Pradeshiya Sabha had purchased the JCB under the Local Loan and Development Fund (LLDF) and it was also used for Sabha functions and to generate revenue from lending to individuals. The following observations are made in this regard.

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|---|--|--|
| (a) The Pradeshiya Sabha has decided to buy the JCB machine with a loan from the Local Loan and Development Fund, as it does not have sufficient financing to purchase the machine and accordingly, the machine was purchased with a sum of Rs 2,300,000 from the Sabha fund and 11,500,000 from the loan. However, the council had only incurred losses as a result of using this machine. | For Sabha activities, the cost per hour should be calculated and presented in the accounts. | The expenses were observed as losses in the review, but it not included in the review the income for the hours spent on the work of the Sabha. |
| (b) This machine, which was purchased for the purpose of earning revenue to the Pradeshiya Sabha, was used by the Sabha for 271 hours without usage information and lost an income of Rs.813,000. | Since the JCB machine was employed in internal construction work, the details should be disclosed. | Vision, Mission, internal construction had to be made public. Accordingly, the JCB was used for internal construction purposes. |
| (c) A total sum of Rs.1,751,641 had been spent on fuel, machine repair, driver's salary and machine loan repayments. Only a sum of Rs. 557,835 had been earned using this machine. When this process is surveyed, the council can lose approximately Rs1,200,000 annually. | For Sabha activities, the cost per hour should be calculated and presented in the accounts | Since this machine was used for the purposes of the Sabha, these hours are shown as losses because they do not include as income. |

- (d) During the year under review, this machine is used for personal purposes, Sabha work and functions imposed by higher authorities. Often, the approval of the chairman or secretary grants. Other times, the machine is used for various purposes without any approval. A proper plan, internal controls and preparation of records for the operation of this machine were not properly implemented.
- Should have an internal control system.
- Arrangements have been made to settle this through effective internal control.

2.2.4 Stamp Duty and Courts Fines

Courts fines amounting to Rs. 904,516 and Stamp Duty amounting to Rs. 14,135,196 were due as at 31 December 2018, from the Chief Secretary of the Provincial Council and all authorities.

(a) Courts Fines

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|--------------------------------|--|
| <p>Courts fines received amount of Rs.904,516 related to arrears for the period of June to December 2017. Nevertheless, action had not been taken by the Sabha even by the audit date of 08 May 2019 to obtain total courts fine up to end of the year 2018.</p> | <p>Action should be taken.</p> | <p>The Commissioner of Local Government should take action in this regard.</p> |

(b) Stamp Duty

Upon transfer of immovable property in the Pradeshiya Sabha area for the years 2017 and 2018, stamp duty will be collected by the District Land Registration Department in Batticaloa and remitted to the Provincial Treasury Income Tax Department. The following observations are made regarding the receiving of stamp duty by local authorities.

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|---|---|---|
| <p>(i) In terms of Eastern Provincial Council Act No.01 of 2008, to impose, calculate</p> | <p>Pay attention to the mobile services and</p> | <p>When inquiring with the relevant authorities, it was</p> |

and recover the stamp duty and in terms of Section 37 of the Finance and Law Act 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 Urban Council area for the period 2016, 2017 and 2018. Action has not been taken to calculate and recover the stamp duty paid on property by the property owners to the Eastern Provincial Income Tax Department.

direct levies of the Treasury Department of the Eastern Province in future periods.

stated that we do not receive any tax refunds.

(ii) Stamp Duty is an income to the Pradeshiya Sabha. Nevertheless, the Pradeshiya Sabha had not received the additional stamp duty of Rs.121,000 charged by the Treasury Department of the Eastern Province even at the audit date of 31 March 2019.

Pay attention to the mobile services and direct recoveries of the Treasury Department of the Eastern Province.

When inquiring with the relevant authorities, it was stated that we do not receive any tax refunds.

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

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|--|--|
| <p>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 key issues. Nevertheless, the Pradeshiya Sabha had sent proposals on 08 by-laws in the year 2012, 06 by-</p> | <p>By-laws should be drawn up and implemented in terms of section 126 of the Pradeshiya Sabha act no.15 of 1987.</p> | <p>By-laws were prepared in all three languages and sent to the Ministry of Local Government for the relevant approvals (for now 05 By-Laws), the present decision had been requested.</p> |

laws in the year 2013 and 04 by-laws in the year 2017 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.

(b) Action Plan

| ----- Audit Observation ----- | ----- Recommendation ----- | ----- Comments of the Accounting Officer ----- |
|--|---|--|
| 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 18 key issues. However, the annual action plan had not been prepared for the 18 activities that the Sabha had to implement in terms of the by-laws that had been prepared for approval. | By-laws should be drawn up and implemented in terms of section 126 of the Pradeshiya Sabha act no.15 of 1987. | According to your direction, an annual action plan for 18 tasks will be implemented in the future. |

(c) Provisions not made Available

| ----- Audit Observation ----- | ----- Recommendation ----- | ----- Comments of the Accounting Officer ----- |
|--|--|---|
| The council had prepared a 04 year development plan (LAPDP) for the Local Government for the period 2016-2020. 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 310 functions which were to be implemented by the Sabha, only 34 were planned for implementation in the year under review. | Action to be taken, considering the financial resources in the future. | Due to the lack of sufficient funds to implement the four year development plan, several development plans were implemented. Action to be taken, considering the financial resources in the future. |

(d) Abandoned Activities

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|--|--|
| The total estimated cost for the construction of 02 meat stalls and 02 retail outlets by the Council for the year under review was Rs.709,686. Nevertheless, the financial statements stated that Rs.710,000 was payable. Nevertheless, the council did not take any action on the construction. | Taking immediate action to identify the lands and take action to construct the stalls. | Even though agreement made for the construction of these stalls, but due to difficulties in obtaining the relevant land, the stalls could not be constructed. Efforts are being made to take further action. |

(e) 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.

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|--|--|
| (i) The Sabha should prepare and implement long term and short term projects on solid waste management. The solid waste management development plans have not yet been implemented, by proposing new plans for drivers for the proposed program, establish garbage collection vehicles, increase health workers and environmental protection committees in the villages. | The Sabha should strive to implement both short term and long term plans for solid waste management. | The Sabha has short-term and long-term plans for solid waste management, but they have not been implemented. Temporary human resources have been allocated for solid waste management and the number of vehicles has been increased. |
| (ii) Due to the people's reluctance and negligence the task of collecting garbage from houses, institutions, shops and public places in the areas belonging to the Sabha is not fully implemented and Organic fertilizer production and recycling sales, were implemented Only by solid waste management. | Introducing new plans and implementing them. | There is a tax charging procedure (habit) for extra garbage. Also, a collective farm had been established and plans were in implemented. |

- | | | |
|--|---|--|
| <p>(iii) There were no plans to increase revenue from producing organic fertilizer by collecting garbage from houses, institutions, shops and public places within the Sabha area and purchasing and using decaying waste grinders, banana tree cutting and waste separators, to improve the production.</p> | <p>Action should be taken to develop new plans in the future.</p> | <p>Action had been taken to develop new plans in the future.</p> |
|--|---|--|

(f) Sustainable Development Goals

| ----- Audit Observation ----- | ----- Recommendation ----- | ----- Comments of the Accounting Officer ----- |
|---|---|--|
| <p>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.</p> | <p>To comply with the decisions of the Sustainable Development Conference 2015.</p> | <p>Steps are being taken to establish Sustainable Development Goals.</p> |

3.2 Management Inefficiencies

| ----- Audit Observation ----- | ----- Recommendation ----- | ----- Comments of the Accounting Officer ----- |
|---|--|--|
| <p>(a) According to the approved cadre, it should be 05 Development Officers to perform the duties and but there are 08 Development Officers. They were seen as ineffective in performing their responsibilities and duties. As a result, the public and the Sabha were unable to carry out their duties quickly.</p> | <p>Should be monitored if the officers are performing their duties according to the duty list.</p> | <p>As you have mentioned, the reason for not being effective is that they have not been adequately trained in the subject. Some of these were new transfers.</p> |
| <p>(b) Although there are five Management Assistants to perform the duties of the Sabha, It was observed that only 60% of the duty list given to them had been completed.</p> | <p>Should be monitored if the officers are performing their duties according to the duty list.</p> | <p>All the 05 management assistants are newly transferred from the other Departments. Proper training is provided to increase their effectiveness.</p> |

- (c) The Local Government Assistant in the Sabha is in charge of the Planning Division and delays had been observed in performing important duties such as conducting surveys on new revenue collection, preparing reports, submitting reports on environmental pollution agencies and identifying potential development plans and submitting reports. Should be monitored if the officers are performing their duties according to the duty list. We also felt that there was some delay in the Local Government assistant's responsibility.
- (d) The responsibility of the Social Development Officers attached to the Local Authorities was to monitor the work of the Community Organizations and submit reports to the Pradeshiya Sabhas. However, out of the 24 community organizations in the Manmunai Pradeshiya Sabha area, only 20 community organizations were functioning and it was observed that after 2016, all community organizations were defunct. Introducing and implementing proper plans for the functioning of community centres in the area of Pradeshiya Sabha. Community officers have been advised on this.
- (e) 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. Should follow a formal system for leave. Arrangements have been made to adopt a formal procedure regarding previous leaves.

3.3 Human Resources Management

| ----- Audit Observation ----- | ----- Recommendation ----- | ----- Comments of the Accounting Officer ----- |
|--|--|--|
| For the workers and health workers needed by the Sabha, 20 were approved by the Department of Management Services, but the Sabha had appointed 24 on a substitute basis. | Regular work figures should be prepared for the workmen and health workers of the Sabha. | The number of workers and health workers who informed the Sabha was 20. The majority of them are women. As a result, they are unable to send to the garbage disposal process. Therefore, appointments had been made by the letter of approval of the higher authority. |

3.4 Operational Inefficiencies

| | ----- Audit Observation ----- | ----- Recommendation ----- | ----- Comments of the Accounting Officer ----- |
|-----|--|---|--|
| (a) | 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 Rs. 5,509,945 as tax on the lands sold in 2017 and 2018 for an amount of Rs.550,994,583. | Action should be taken in terms of Section 154 of the Pradeshiya Sabha Act No 15 of 1987. | Action will be taken on your instructions in order to collect the sales tax on the land. Due to lack of knowledge, this this could not be implemented. |
| (b) | People traveling along the road face great difficulties because of animals like cattle roaming the roads. As such, committees had been proposed by the Council in the year under review to capture the animals, relieve them of the difficulties and prevent road accidents. However, no action had been taken in this regard even by the audit date of 30 April 2019. | Action should be taken in terms of Section 154 of the Pradeshiya Sabha Act No 15 of 1987. | According to the decision of the Sabha, the members of the Sabha have been delegated the responsibilities but have not taken action. |
| (c) | At the Sabha meetings of the year under review, it was decided to renovate the shopping complex and construct new meat stalls. Nevertheless, no initial steps have been taken in this regard even by the audit date of 30 April 2019. | Action should be taken to identify lands and construct shops. | Even it has been decided to construct the meat stalls, but due to the lack of identification of the land, it was not realized. Continuous action is being taken. |
| (d) | At the meetings of the year under review, the members of the Sabha made various proposals and decisions, taking into consideration the development of the Pradeshiya Sabha and the welfare of the public. However, due to the lack of adequate planning and oversight to implement those decisions, it was observed that | Should be implemented in accordance with the decisions. | Due to disagreements among Sabha members, there are problems with the implementation of the proposed programs in due course. |

these decisions were limited to documents.

3.5 Assets Management

3.5.1 Assets not Documented

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|---|---|---|
| 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. 48,780,712. But, the Sabha had not taken steps to record movable and immovable property in the fixed assets register. | The Sabha should be taken steps to document the fixed assets. | Steps have been taken to identify the correct value of fixed assets and to document them in the fixed asset register. |

3.5.2 Maintenance and Repairs not Done

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|---|---|---|
| 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. | Necessary action to be taken for repair or sale at auction. | It is intended this year to take action on the Board of Survey. |

3.5.3 Annual Board of Survey

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|---|---|---|
| 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 | Action should be taken in accordance with the provisions of the Act and the circular. | These errors will be corrected in the future. |

carried out without paying attention to these calculations.

3.6 Vehicle Utilization

| Audit Observation ----- | Recommendation ----- | Comments of the Accounting Officer ----- |
|---|---|---|
| In the year under review, Rs.221,112 valued fuel of 2,327 liters were used for the pickup vehicle EP PB / 1184 of the Sabha. Regarding the use of this vehicle, the vehicle running chart had not been submitted for audit as at 30 April 2019 of audit date. | Action should be taken in accordance with the provisions of the Act and the circular. | It was informed that the running chart of the Pickup vehicle No. EP PB / 1184 had been accidentally placed elsewhere. The driver has asked for clarifications in this regard. |

3.7 Procurement

3.7.1 Procurement Plan

| Audit Observation ----- | Recommendation ----- | Comments of the Accounting Officer ----- |
|---|--|--|
| 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. | A procurement plan must be prepared and executed according to the circulars and guidelines relating to the procurement plan. | Steps will be taken to prepare the procurement plan this year. The Local Government Assistant has also been instructed in this regard. |

3.7.2 Goods and Services

| Audit Observation ----- | Recommendation ----- | Comments of the Accounting Officer ----- |
|---|--|---|
| (a) In the year under review, 642 cubes of gravel were purchased from the | Documents and codes must be delivered in | I inform that the approval of the Sabha and Technical |

Sabha Fund for a sum of Rs. 1,842,450. The Chairman, the Vice Chairman and all the members of the Sabha had purchased the gravel with the intention of modernizing the roads in their area. Prior to placing these gravels on the roads, the Sabha did not take into account the selection criteria, the estimate, the approval of the Sabha and the manner in which the gravel was purchased. The payments had been made without any reports of the gravel being unload.

time for audit. Officer's Estimate Report for the purchase of gravel has been received. from the. The completion report of the Technical Officer was also received.

- (b) The Pradeshiya Sabha had been made provision of Rs.1,000,000 and paid a sum of Rs. 999,041 to the Batticaloa Regional Water Supply and Drainage Board for the laying of drinking water pipes in the Thalarkuda Velar Kudiyiruppu Division under the Provincial Specific Development Grant for the year under review. Nevertheless, evidence and documentation of the program's failure were not submitted to audit by the Sabha. Also, the program was not monitored by the responsible authorities and the reports were not submitted.
- The Pradeshiya Sabha is responsible for utilizing the funds provided under the Provincial Development Assistance Program. The Sabha has the responsibility of implementing the public interest program because it is a program launched by the Sabha.
- I kindly inform that the National Water Supply and Drainage Board is fully responsible for the installation of drinking water pipes in the Thalarkuda Velar Kudiyiruppu area under the Provincial Development Assistance Program.

4. Accountability and Good Governance

4.1 Furnishing Financial Statements

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|---|--|
| In terms of subsection 15 (1) of the National Audit Act No 19 of 2018, the financial statements should be submitted to the Auditor General before three months after the end of each | Action should be taken in terms of subsection 16 (2) of the National Audit Act, No. 19 of 2018. | Action will be taken to submit financial statements in due course. |

financial year. But it was submitted to audit on 02 April 2019. However, the annual performance report as per subsection 16 (2) of the Audit Act No. 19 of 2018 was not presented with the financial statements.

4.2 Internal Audit

| | Audit Observation ----- | Recommendation ----- | Comments of the Accounting Officer ----- |
|-----|---|--|--|
| (a) | In the year under review, a committee was appointed for internal audit purposes and audited the payment vouchers for the period January to June 2018 and submitted reports to management. However, no action was taken on the report. | It should be taken prompt action and submit the General 172 payment vouchers to audit. | The Financial Assistant has taken action for the audit query issued by the Internal Audit Committee. |
| (b) | The annual program on internal audit had been prepared, but internal audit functions had not been implemented in accordance with that program. | Internal Audit Program should be Implemented. | The matters of the Internal Audit Program will be settled this year. |

4.3 Audit and Management Committee

| | Audit Observation ----- | Recommendation ----- | Comments of the Accounting Officer ----- |
|--|--|---|--|
| | The Audit and Management Committees were not established and no Committee Meetings were held by the Sabha during the year under review | It should be implement the Audit and Management Committees. | It has been decided to continue the process from 2019 onwards. |