

**Pottuvil Pradeshiya Sabha
Ampara District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to Audit on 26 June 2020 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman of the Pradeshiya Sabha on 22 July 2020.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in the basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Pottuvil Pradeshiya Sabha as at 31 December 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

(a) Accounting Deficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
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(i) Values of Lands and 29 vehicles had not been assessed and brought to accounts.	Values of Lands and vehicles should be assessed and brought to accounts.	There was a difficult in assessing values due to lack of officers in respect of assessing values of lands and vehicles belonging to the Sabha. Actions will be taken to carryout it.
(ii) Value of store items had been understated by Rs.197,890.	Stock value of store items should be rectified in the register.	According to the financial statement, value of store items had been understated erroneously in the final accounting reports for the year 2019. Errors like this will not be taken place in future.

(b) Unreconciled Accounts

Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
(i) According to the statement of revenue recovery and arrears (PS-7), other revenue for the year 2019 had been as Rs.18,571,249. However, according to revenue and expenditure account, it had been shown as Rs.20,548,258, thus a difference of Rs.1,977,009 was incurred.	Such difference should be rectified.	Fixed deposit interest of Rs.1,977,009.00 had not been included in the statement of revenue recovery and arrears. This error will be rectified in the final accounting reports for the year 2020.
(ii) According to the financial statement, balance of advance payment had been shown as Rs.2,120,203. However, according to the register, it had been shown as Rs.2,051,075, thus a difference of Rs.69,128 was incurred.	Balance of advance payment should be rectified in the register.	According to the financial statement, balance of advance payment had been overstated in the final accounting reports for the year 2019 erroneously. Errors like this will not be taken place in future.

(c) Lack of documentary evidences

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
Due to non-submission of evidences such as deed of land, fixed asset register, reports on board of survey and register of library books in respect of 06 items valued at Rs.4,765,574 according to financial statement, it could not be satisfactorily vouched/verified in audit.	Evidences should be submitted for confirming account balances shown in the financial statements.	Not replied.

1.4 Non-compliances

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

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliances	Recommendations	Comments of the Accounting Officer
(a) Pradeshiya Sabhas (Financial and Administrative) Rules of 1988.			
(i) Section 5(12)	Security deposit had not been obtained from 03 officers who handle activities of money and store items	Action should be taken in terms of relevant rules.	Not commented.
(ii) Section 59	Column in respect of trades had not been prepared in the beginning of every year in terms of Section 150(1) of Praseshiya Sabhas Act No. 15 of 1987.	Action should be taken in terms of relevant rules.	Not commented.
(b) Financial Regulation 571 of the Democratic Socialist Republic of Sri Lanka	Action had not been taken in respect of deposits valued at Rs.2,501,356 for over two years.	Action should be taken in terms of said Financial Regulation.	The Sabha will be taken action in respect of lapsed deposits very soon.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue over recurrent expenditure of the Sabha for the year ended 31 December 2019 amounted to Rs. 14,020,588 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs.6,920,147.

2.2 Revenue Management

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

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

Source of Revenue	2019				2018			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Rates and Taxes	4,505	-	-	-	2,005	-	-	-
Rentals	9,780	9,413	8,298	4,808	8,420	9,143	7,965	3,693
License Fees	4,235	3,480	3,480	-	3,380	3,234	3,234	-
Other Revenue	24,500	31,371	37,987	4,036	28,000	27,135	24,634	10,652
	43,020	44,264	49,765	8,844	41,805	39,512	35,833	14,345

2.2.2 Rates and Taxes

Audit Observation

According to Section 149 of Pradeshiya Sabhas Act No. 15 of 1987, action had not been taken to recover 1 per cent of the revenue received by 146 quarters, hotels as tax.

Recommendation

Action should be taken to recover in terms of the Act.

Comment of the Accounting Officer

The computation of followings are very difficult to recover this tax.

- Annual income of hotels
- Profit earned by them
- Annual value of quarters and lands

Staffs who obtained adequate training were not in our Sabha. At the instance of rectifying shortage of Revenue Inspector, actions will be taken for it.

2.2.3 Rents

Audit Observations

- (a) Arrears of lease to be recovered for the period from the year 1992 to 2018 amounting to Rs.2,778,929 had remained without being recovered.

Recommendations

Action should be taken to recover it.

Comments of the Accounting Officer

Action will be taken to rectify it very soon.

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| (b) | Action had not been taken to recover arrears rent of stall room located at Public Market for the period from year 2016 to the end of the year under review amounting to Rs.793,486. | Action should be taken to recover arrears of rent. | When new stalls are rented out, shopping complex will be rented out only after paying arrears in respect of arrears recovery. Further, some of arrears had been recovered in this year. |
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3. Operating Review

3.1 Performance

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

(a) By-Laws

Audit Observation	Recommendation	Comment of the Accounting Officer
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Action had not been taken to prepare and implement by-laws in respect of important matters for revenue and arrangement of the Pradeshiya Sabha in terms of Section 126 of the Pradeshiya Sabhas Act No. 15 of 1987.	By-laws should be prepared.	Not commented.

(b) Action Plan

Audit Observation	Recommendation	Comment of the Accounting Officer
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According to Public Finance Circular No. 01/2014 of 14 February 2014, an annual action plan for the year under review had not been prepared for executing works as per solid waste by-law.	An annual action plan should be prepared.	Not commented.

(c) Sustainable Development Targets

Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
(i) Action had not been taken to establish indicators required for measuring sustainable development targets.	Action should be taken to establish the indicators.	Not commented.
(ii) Provision required to access sustainable development goals had not been identified for the years 2017, 2018 and the year under review.	Provisions should be identified and allocations should be made.	Not commented.

3.2 Management Inefficiencies

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
Action had not been taken to dispose 10 unusable vehicles.	Action should be taken to dispose unusable vehicles.	A committee had been established for selling and disposing activities of goods for the year 2019 and forwarded for approval. Action will be taken once approval is received.

3.3 Human Resources Management

Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
(a) There were existed vacancies for 07 posts such as Secretary, Management Assistant, Field Supervisor, 03 Drivers and Watcher	Action should be taken to fill the vacancies.	We have pointed out to our higher authorities in respect of vacancies through a monthly report on cadre. They are only responsible for said appointments.
(b) An excess recovery from the employees in the years 2018 and 2019 amounting to Rs.55,765 and Rs.100,420 respectively had remained without being returned.	Action should be taken to refund the excess recovery amounts.	Action will be taken to refund the excess recovery amounts to the employees speedily.

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| (c) | Arrears of loan from 18 employees amounting to Rs.559,552 had remained for over 02 years without being recovered. | Action should be taken to recover arrears of employee loan. | Officers in respect of arrears of loan were not in government service now. As such, actions are being taken to recover arrears of loan by mediation board. |
| (d) | A gratuity of Rs.103,747 received for paying to an officer in the year 2009 had not been settled to relevant officer up to now. | Relevant action should be taken by verifying relevant evidences. | Relevant action will be taken by verifying evidences about this payment. |

3.4 Assets Management

3.4.1 Failure to transfer ownership of Assets

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) Action had not been taken to transfer ownership of 12 vehicles which was received as donation from other institutions.	Action should be taken to transfer ownership of the vehicles of the Sabha to the name of the Sabha.	When action had been taken to transfer ownership of the vehicles which was issued by the UNOPS institution as donation to the name of the Sabha in the year 2019, ownership could not be transferred due to values of the vehicles issued by the said institution is higher.
(b) Ownership of 46 lands belonging to the Sabha had not been transferred.	Action should be taken to vest the lands belonging to the Sabha in terms of Crown Land Ordinance.	Relevant officer had been directed by the Divisional Secretary to expedite vesting activities. Further, activities in respect of surveying some assets are being carried out in a collaboration of District Survey Department.

3.4.2 Failure to carryout Maintenance and Repairs

Audit Observation	Recommendation	Comment of the Accounting Officer
Six tractors, 02 water tank trailers, 02 motor cycles, 02 trailers and one cap vehicle had remained idle for over the period of 05 years without being used.	Action should be taken to repair and use the vehicles or dispose them.	A committee had been established for selling and disposing activities of goods for the year 2019 and forwarded for approval. Action will be taken once approval is received.

3.4.3 Idle/ Underutilized Assets

Audit Observation	Recommendation	Comment of the Accounting Officer
<p>-----</p> <p>A paper recycling center constructed by using the fund of Rs. 1,231,600 from World Vision Organization in the year 2008 and the fund of Rs. 1,612,127 from the Sabha in the year 2011 with the purpose of increasing the revenue of the Sabha and providing employment opportunities had remained in a deteriorated condition without being used.</p>	<p>-----</p> <p>Action should be taken to use said asset to intended purpose.</p>	<p>-----</p> <p>Training should be provided to employees to operate this paper recycling center and there was not electricity to operate it at that road. Further, equipment fixed there also corroded and damaged in an unusable condition. Therefore, actions will be taken to sell it.</p>

3.5 Procurement

Procurement Plan

Audit Observation	Recommendation	Comment of the Accounting Officer
<p>-----</p> <p>A procurement plan had not been prepared for the year under review.</p>	<p>-----</p> <p>A procurement plan should be prepared annually.</p>	<p>-----</p> <p>Action will be taken by the Sabha to prepare a procurement plan in ensuing periods by studying and complying with instructions, circulars, etc. in respect of procurement plan.</p>

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Recommendation	Comment of the Accounting Officer
<p>-----</p> <p>Internal audit activities had not been carried out in the Sabha during the year under review.</p>	<p>-----</p> <p>Internal audit activities should be carried out.</p>	<p>-----</p> <p>Not commented.</p>

4.2 Audit and Management Committee

Audit Observation

An audit and management committee had not been established and its meetings had not been held in the year under review.

Recommendation

Action should be taken to hold the audit and management committee meetings.

**Comment of the
Accounting Officer**

Not commented.