

**Kareithiv Pradeshiya Sabha**

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**Ampara 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 29 March 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 31 May 2019.

**1.2 Qualified Opinion**  
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In my opinion, except for the effect of 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 Kareithiv 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 Basics for the Qualified Opinion**  
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**a) Accounting Deficiencies**  
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| <b>Audit Observations</b>                                                                                                                                                                     | <b>Recommendations</b>                                               | <b>Comments of the Accounting Officer</b>                                                                                                                                                                                                                  |
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| -----                                                                                                                                                                                         | -----                                                                | -----                                                                                                                                                                                                                                                      |
| i. Lands located the Sabha Office and the Library had not been assessed and brought to the accounts.                                                                                          | The values of the Lands should be stated under the Fixed Assets.     | Actions are being taken to assess the values and it should be declared separately in the accounts.                                                                                                                                                         |
| ii. Rs.5,400,000 valued Lorry owned by the Sabha met with an accident and condemned. It had not been written off by the Accounts even though the full claim had been received for the damage. | Value of the damaged Lorry should be deducted from the Fixed Assets. | The specific vehicles had been auctioned by the Assistant Chief Secretary (Engineer) Northern Province, had and the reports and the selling price had not been informed yet. Actions would be taken to write off after the reports received in the future. |

- iii. Values of 02 road roller machines and a concrete mixing machine given to the Sabha had not been assessed and brought to accounts. Values of vehicles and machinery should be included under fixed assets in the Financial Statements. road roller machines had been given by the UNEPS aids in the year 2009. The value had been shown in the unrecognized assets in the Final Accounts. Actions would be taken to declare separately the rest of the values of the machines in the future.

**b) Lack of Necessary Documentary to Evidence for Audit**

| Audit Observations                                                                                                                                                                                                         | Recommendations                                                                                   | Comments of the Accounting Officer                                                                                                  |
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| Rs.9,886,142 valued on items of Fixed Assets could not be satisfactorily vouched during the audit due to non rendition of relevant deeds, Assets registers, Board of Survey Reports, and Documents to prove the ownership. | Evidence for confirming the balances of accounts in the financial statements should be furnished. | Actions would be taken to assess the value of the Fixed Assets as possible and declare the value in the next year's Final Accounts. |

**1.4 Non Compliances**

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

| Reference to Laws, Rules, Regulations and Management Decisions                     | Non Compliances                                              | Recommendations                                                      | Comments of the Accounting Officer                                                                                                     |
|------------------------------------------------------------------------------------|--------------------------------------------------------------|----------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|
| (a) <u>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</u> |                                                              |                                                                      |                                                                                                                                        |
| i. F.R 371                                                                         | 03 advances given to the Secretary had not been settled.     | Advances should be settled right after completing the relevant task. | This amount had been stated as receivable and payable advances in the Final Accounts and actions would be taken to settle this amount. |
| ii. 571                                                                            | Actions had not been taken to report to relevant to transfer | Actions should b taken in accordance with the                        | Agreed. Actions would be taken in the future.                                                                                          |

the relevant deposits to the Financial Regulations. Sabha Revenue account in the next year.

**2. Financial Review**  
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**2.1 Financial Results**  
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According to the financial statements presented, the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2018 amounted to Rs.3,563,514 as compared with the excess of recurrent expenditure over revenue of the preceding year amounting to Rs.1,443,891.

**2.2 Revenue Administration**  
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**2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue**  
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Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

| Source of Revenue   | 2018              |                |                   |                                 | 2017              |                |                   |                                 |
|---------------------|-------------------|----------------|-------------------|---------------------------------|-------------------|----------------|-------------------|---------------------------------|
|                     | Estimated Revenue | Revenue Billed | Revenue Collected | Total arrears as at 31 December | Estimated Revenue | Revenue Billed | Revenue Collected | Total arrears as at 31 December |
|                     | Rs.               | Rs.            | Rs.               | Rs.                             | Rs.               | Rs.            | Rs.               | Rs.                             |
| (i) Rates and Taxes | 25,000            | 2,500          | 2,500             | -                               | 25,000            | -              | -                 | -                               |
| (ii) Rent           | 4,325,000         | 2,978,762      | 3,978,762         | 652,725                         | 2,550,000         | 2,880,096      | 2,901,026         | 652,725                         |
| (iii) Licence Fees  | 1,458,000         | 4,045,085      | 3,757,676         | 4,025,105                       | 2,558,000         | 1,094,903      | 1,089,134         | 3,737,696                       |
| (iv) Other Revenue  | 6,717,500         | 5,394,791      | 5,394,791         | -                               | 5,560,000         | 2,649,033      | 2,649,033         | -                               |

## 2.2.2 Rents

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### Audit Observations

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### Recommendations

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### Comments of the Accounting Officer

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| a. Actions had not been taken from 03 years to recover the amount of Rs.3,725,342 for collecting the litter from Kalmunei Municipal Council. Nindhavur Pradeshiya Sabha and Samanthurei Pradeshiya Sabha and transferring them in Kareithive Pradeshiya Sabha territory and remained in the financial accounts. | Actions should be taken to recover the arrears from the relevant Sabhas.                                                                    | Letters had been sent to these Sabhas requesting this amount in arrears. Even though the Commissioner of Local Government had mentioned in his letter to Kalmunei Municipal Council to settle this amount, actions had not been taken to settle it. And also inform that actions would be taken to settle this amount according to the advice of the Commissioner of Local Government. |
| b. Actions had not been taken to recover the rent in arrears from the year 1992 to the year 2015 the arrears of Rs.671,710.                                                                                                                                                                                     | Actions should be taken to recover the arrears from relevant persons or the arrears from relevant persons or write off the amounts legally. | Inform that actions had been taken to write off the relevant arrears money according to the Commissioner of Local Government.                                                                                                                                                                                                                                                          |
| c. Actions had not been taken to recover arrears of Rs.15,000 Street Sellers tax for 10 years since year 2008.                                                                                                                                                                                                  | Actions should be taken to write off the amount legally from the relevant accounts                                                          | An amount recoverable since 2008 could not be recovered because the street stalls tax payer K.Wetriwel had been diseased. Actions would be taken to write off this amount.                                                                                                                                                                                                             |
| d. Actions had not been taken to recover arrears in Beach Garden Tax of Rs.26,000 since year 2015.                                                                                                                                                                                                              | Actions should be taken to charge the Beach Garden Tax from the relevant people legally.                                                    | Actions had been taken to change the relevant arrears from the relevant people and actions had been taken to charge it through Mediation Board.                                                                                                                                                                                                                                        |

**2.2.3 License Fees**

**Audit Observations**

**Recommendations**

**Comments of the Accounting Officer**

Actions had not been taken to charge the Fees for construction and building approval from 02 Transmission Towers of Hutch and Airtel, built within the Sabha territory.

Actions should be taken to obtain the approval when building buildings within the Sabha territory.

Actions would be taken to correct the shortcomings.

**3. Operating Review**

**3.1 Performance**

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

**Audit Observation**

**Recommendation**

**Comments of the Accounting Officer**

(a) **By-laws**

Even though by-laws should be imposed for regulating the Sabha Income under Section 126 of the Pradeshiya Sabha Act, by-laws proposals had been prepared only on one matter and imposed.

Approval should be obtained for the by-laws had been sent to obtain the approval. Further, actions should be taken to impose by-laws for the matters suits with the Sabha.

Consideration would be given to correct this kind of shortcomings in the future.

(b) **Action Plan**

Actions had not been taken to prepare an Action Plan in accordance with the tasks assigned under the by-laws imposed.

Action plan should be prepared annually in accordance with the by-laws.

Actions would be taken to correct the shortcomings in the future.

(c) **Solid Waste Management**

Even though 4748 bags had been distributed under a program of distributing 5000 garbage bags to the public to collect garbage on Solid Waste Management in the year 2017, Garbage had been collected without categorizing.

Actions should be taken to aware the public about garbage and collect them in bags under a specific categorization.

Considerations would be given to correct the shortcomings regarding this matter.

(d) **Targets of Sustainable Development**

Every public institution has to work under the United Nations Agenda for the year 2030 according to the Sri Lanka Sustainable Development Act No.19 of 2017. But Actions had not been taken to realize and attain the aims regarding this.

Actions should be taken by the Sabha to realize, attain and implement the indices to measure the performance the aims.

Considerations would be given to correct the shortcomings regarding this matter.

**3.2 Management Inefficiencies**

**Audit Observations**

**Recommendations**

**Comments of the Accounting Officer**

Land located the Cultural Centre of the Sabha and the Sabha Office had not been released by the Kareithiv Divisional Secretary Office under the Section 27 of Government Lands Ordinance.

Actions should be taken to release the lands owned by the Sabha under the Government Lands Ordinance.

Inform that actions had been taken about this matter.

**3.3 Human Resources Management**

**Audit Observations**

**Recommendations**

**Comments of the Accounting Officer**

a. 06 vacancies had been kept in 05 posts in the Staff.

The vacancies should be filled up.

Employees had been recruited under the substitute basis. Also the Commissioner of Local Government and the Secretary of the Ministry had been informed about these vacancies.

- b. Arrears Loan Balances of 07 Officers of Rs.40,647 had not been recovered since the year 2006. The employee loans balances should be recovered from the relevant officer or the Guarantors. A decision had been taken to write off or recover from the relevant officers.

### 3.4 Operating Inefficiencies

Following observations are made.

| Audit Observations                                                                                                                                                                                                                        | Recommendations                                                                                                              | Comments of the Accounting Officer                                                                                                                                                                                                                                         |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>a. Because rates from 350 stalls and 5660 houses within Sabha territory had not been assessed and collected since year 2003 under the section 134 of Pradeshiya Sabha Act No.15 of 1987, Sabha had lost about Rs.3,000,000 income.</p> | <p>The Sabha income should be raised by identifying the developed areas and charging rates.</p>                              | <p>Members of the Sabha had shown that the people live in kareithiv Division are poor and the decision on rates had been taken on 2018.08.18. So, the actions had been postponed for 02 years.</p>                                                                         |
| <p>b. An income of Rs.100,000 had been lost for the Sabha because of not Imposing relevant By-laws to recover the fees on promotional banners depicted in the Trade Stalls within the Sabha Territory.</p>                                | <p>Actions should be taken to raise the Sabha income by imposing by-laws, and recovering the Promotional Banner Charges.</p> | <p>Even though it had been sent bto the provincial council the by-laws, the approval had not been received during the time period. So legal actions could not be taken. But the charges had been recovered in our Sabha under the by-laws imposed by the other Sabhas.</p> |

### 3.5 Assets Management

#### 3.5.1 Assets Not Registered

| Audit Observations                                                               | Recommendations                                                                                      | Comments of the Accounting Officer                                                                                                                                                                     |
|----------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The Fixed Assets Register had not been updated for the year under review.</p> | <p>The Fixed Assets Register should be updated properly and declare in the financial statements.</p> | <p>Sabha had been maintained a Fixed Assets Register but, because it had not been physically verified, it had not been updated. Special consideration would be given on this matter in the future.</p> |



### 3.5.2 Assets Not Secured

| <b>Audit Observations</b>                            | <b>Recommendations</b>           | <b>Comments of the Accounting Officer</b>              |
|------------------------------------------------------|----------------------------------|--------------------------------------------------------|
| A tractor used by the Sabha had not been registered. | The tractor should be registered | A special consideration would be given on this matter. |

### 3.5.3 Assets not Maintained and Repaired

| <b>Audit Observations</b>                                                                                                               | <b>Recommendations</b>                                                                                                               | <b>Comments of the Accounting Officer</b>                                                                                                                                                                               |
|-----------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Even though 09 vehicles that 03 motor cycles, 02 Lorries, 04 Tractor Trailers was in the state of repair. It had not been repaired yet. | Actions should be taken to repair or reuse or discard the assets under the recommendation of the Annual Board of Survey on Vehicles. | It had not been repaired because the expenditure on repairs comparatively higher than its usefulness. Actions had been taken to discard or auctioned through the Assistant Chief Secretary (Engineer) Eastern Province. |

### 3.5.4 Idled/ Underutilized Assets

| <b>Audit Observations</b>                                                                                                                                                                                                                                          | <b>Recommendations</b>                                                                      | <b>Comments of the Accounting Officer</b>                                                                                                                               |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| a. Only 04 out of 20 stalls had been leased out in the Shopping Complex built in the year 2009 under the Financial Aids of North East Coastal Community Development Program (NECCDEP) of Rs.14,347,200. The other 16 stalls had been remained idled over 10 years. | Actions should be taken to lease out the stalls or else it should be used on other purpose. | Actions had been taken to open a "Food City" shop in the ground floor of the Shopping Complex and it had been taken expected to occupy the full building in the future. |

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|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>b. The building built by Rs.1,367,782 in year 2017 under the Development Aids for the Provincial Councils for producing Compost Fertilizer in the transferring Centre of Solid Waste Management by categorizing and the Goods valued Rs.01 million had been remained idled as at 07 May 2019.</p> | <p>The relevant building should be used for Producing Compost Fertilizer.</p> | <p>Even though the building had been built in the year 2017 the machinery had been received in the final quarter of the year 2018. So the compost had been produced as a trial in Saturdays only. Actions would be taken to produce fertilizer through the whole week.</p> |
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**3.5.5 Vehicles Utilization**

| -----<br><b>Audit Observations</b><br>-----                                                                                | -----<br><b>Recommendations</b><br>-----              | -----<br><b>Comments of the Accounting Officer</b><br>-----                                                                                                                                                                    |
|----------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>02 Road Rollers and a Concrete Mixing machine received by the Sabha had not been used during the year under review.</p> | <p>Actions should be taken to utilize the assets.</p> | <p>It had not been repaired because the expenditure on repairs comparatively higher than its usefulness. Actions had been taken to discard or auctioned through the Assistant Chief Secretary (Engineer) Eastern Province.</p> |

**4. Accountability and Good Governance**

**4.1 Presentation of Financial Statements**

| -----<br><b>Audit Observation</b><br>-----                                                                                               | -----<br><b>Recommendation</b><br>-----                     | -----<br><b>Comments of the Accounting Officer</b><br>-----   |
|------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|---------------------------------------------------------------|
| <p>An Action Plan had not been prepared in accordance with the Sub-Section 16(2) National Audit Act No.19 of 2018 for the year 2018.</p> | <p>An Action Plan should be prepared for the each year.</p> | <p>A special consideration would be given on this matter.</p> |

## 4.2 Audit and Management Committee

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### Audit Observation

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Audit and Management Committee had not been appointed and Meetings had not been hold for the year 2018.

### Recommendation

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Actions should be taken to appoint the Audit and Management Committee hold Meetings.

### Comments of the Accounting Officer

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A special consideration would be given on this matter.