

PorathivuPattu 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 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 30 May 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 Porathivu 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

1.3.1 Accounting Deficiencies

	Audit Observation	Recommendation	Comments of the Accounting Officer
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(a)	Provisions were not made in the final accounts (expenditure debtors) for a sum of Rs.55,340 spent on filling for two vehicles,	Provisions should be made in the financial statements	This was a mistakenly happened.
(b)	Although the receivable stamp fee on transfer of property, dowry and donation for the year under review was estimated at Rs. 15,751,747, a sum of Rs.12,344,173 shown as arrears of stamp fees in the financial statements for the year under review.	Arrears stamp duty should be stated in the financial statements on accrual basis.	This amount will not be received. Therefore, since the Council could not calculate the actual value, it couldn't show as arrears in the accounts.
(c)	From the Stamp Duty for the year under review out of the amount of Rs.3,498,964 relating to the year 2017, 1% or Rs. 34,990 which was collected	The total income received and expenditure incurred from that should be shown in the	Stamp Duty for the year 2017 has not been added to our accounts as 1% of the amount charged as administrative

from the Eastern Treasury as financial statements. administrative expenses and a sum of Rs.69,500 paid to the Assistant Land Registrar General of Batticaloa and Kalmunai had not been shown in the accounts.

expenses from the Eastern Provincial Treasury and paid directly to the Assistant Land Registrar General of Batticaloa and Kalmunai by the Commissioner of Eastern Local Government.

1.3.2 Accounts Payables

Audit Observation	Recommendation	Comments of the Accounting Officer
In the case of expense creditors, it must be settled within one year. However, expense creditors amounting to Rs.143,847 relating to the years 2013 and 2014, had been shown under the expense creditors for more than six years without settlement.	In case of expenditure creditors, it should be settled within one year.	An unidentified balance of Rs. 81,397.26 was available in the expense creditor account in 2013 and 2014 of Rs. 143,847 and a sum of Rs.64,450.62 for the development of the Suravaneyyadiyutru Public Well has not been paid as the industry is not finished yet. Action has been taken to transfer this value to the income of this year.

1.4 Non-Compliances

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

Audit Observation	Non-compliance	Recommendation	Comments of the Accounting Officer
(a) Government Procurement Guidelines of 2006			
Guideline 2.14.1 of additional 34 published on 09 July 2018	Prior approval should be obtained from the Secretary to the Ministry for repair of expenditure on motor vehicles for more than Rs.200,000. Nevertheless,	Repairs should be carried out with the prior approval and the decision of the Sabha.	It has been stated that the funds of the council can be spent on the decision of the Sabha. Also, funds received from other sources should be approved by the

contrary to this, the Sabha repaired the vehicle bearing number GZ 3838.

Secretary of the Ministry. (A copy is attached. Annex 4)

(b) Section IV of the Public Administration Circular No. 09/2009 dated 16 April 2009

In case of overtime payment, time should be verified by the fingerprint machine. Despite this, 24 employees were paid overtime without fingerprints.

Payments for overtime should be made only after confirming the time indicated by the fingerprints.

Fingerprints had not been placed by the officers of our council perform special duties, such as the functioning of the Mandur Murugan Kovil and water distribution workers working on Saturdays and Sundays because the fingerprint machine is installed inside the office. At present, the machine is fixed on the outside and fingerprints are placed.

(c) Paragraph 3.1 of the Ministry of Public Administration and Management Circular No. 30/2016 dated 29 December 2016

After done a fuel combustion testing, the next fuel combustion test should be done after the first issues such as after 12 months or after running 25,000 km, or after complete engine repairs. Nevertheless, no such test has been conducted.

Fuel combustion test should be carried out for the year under review.

Steps have been taken to check the fuel combustion.

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the recurrent expenditure over revenue for the year ended 31 December 2018 amounted to Rs. 78,699 when compared with the revenue over recurrent expenditure of the preceding year amounted to Rs. 4,356,779, thus a deterioration of Rs. 4,435,478 had been indicated in the financial result.

2.2. Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
The Budget Estimates Summary for 2018 stated that from Rates and Taxes could generate an income of Rs. 1,100,000. Similarly, in the Second Sitting Session No. 04/02 dated 18 April, 2018, it was decided that the Sabha would charge the Rates and taxes and No action was taken to recover that value in the year under review. Therefore, the Sabha had lost income from this amount.	Should have recovered rates and taxes in terms of section 134 (1) of the Pradeshiya Sabha Act No.15 of 1987.	Details for rates and tax collection are currently being collected. As soon as the information is collected, action will be taken to recover.

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) Financial Provisions not made Available

Audit Observation	Recommendation	Comments of the Accounting Officer
According to the annual action plan prepared for the year under review, out of 15 activities to be carried out by the Sabha and only 06 activities were planned for the year under review. Other activities had been changed and implemented as per the recommendations of the Sabha. Due to this, 09 programs identified as required by the	According to the annual action plan of the Sabha, activities should be implemented with the financial provisions.	Although 15 activities has been planned to implement to the annual action plan for the year 2018, we have only been able to perform 06 activities. The other 09 activities could not be fulfilled due to insufficient funds.

public could not be implemented.

(b) Delays in Performing Duties

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(i) Under the Deyata Kirula National Development Program in 2013, it was planned to construct a public library building at Sinnawattei village in the Sabha area at an estimated cost of Rs. 7,232,236. This should have been completed on 31 May 2013 but due to ineffective activities of the Sabha, activities had been completed for only Rs.1,935,449. Further, a sum of Rs. 1,021,476 spent from various sources in the year under review, this library building remained inactive for 06 years without being completed and made available for public use.</p>	<p>As the building was not completed, the people of the village could not access the library facilities.</p>	<p>Under the Deyata Kirula program, this Deyata Kirula program was implemented in 2013 with an estimated cost of Rs. 8,000,000 and activities had been done only for Rs. 1,900,000 due to the suspension. Since the work of the Sinnawathtai Public Library Building was not completed, it has continuously completed a considerable amount of work from the Provincial Specific Development Grant Based Development Fund and the Council Fund. However, only the library building fence was not done. This work will be completed and open to the public for use within two months.</p>
<p>(ii) Strengthening Programme</p> <p>Even though, reports have been submitted that the work on various programs has been completed in 2016 under the strengthening program, Out of the funds deposited in 2017, programs worth Rs 1,820,664 have not been completed by 18 April 2018.</p>	<p>The public was not provided with the necessary facilities as the works not done.</p>	<p>Out of the incomplete Programs, programmes in villages such as Kalumundanveli, Palachchulai and Suravanaiyadritu have been completed during the year under review under the strengthening program. Further activities amounted to Rs. 750,000 will be completed within a month or two.</p>

(c) Solid Waste Management

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
A sum of Rs.2,169,564 had been spent for the long term and short term programs implemented by the Council on Solid Waste Management. However, the Vivekanandapuram Waste Collecting Centre which was established as a Solid Waste Management Centre has remained without being using. Similarly, plans such as organic fertilizer production and recycling sales have not been implemented to generate revenue.	Solid waste management can generate revenue through plans such as organic fertilizer production and recycling sales.	The Central Environmental Authority of the Central Government has submitted a Planning Report on the lack of organic fertilizer processing machinery for the collection centre at Vivekanandapuram under the Solid Waste Management Plan. They have confirmed that they will deliver. As soon as received the necessary equipment, this process is fully implemented.

3.2 Management Inefficiencies

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Value of Lands and buildings amounting to Rs. 2,100,000, furniture and equipment amounting to Rs. 233,600 and library books amounting to Rs. 192,001 had not been removed from the books.	Action should be taken to write-off.	Although it was sent to the relevant department on several times regarding write-off, it has not been approved yet. This will again be sent to the relevant department for approval to write-off.

3.3 Operational Inefficiencies

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
One per cent sales tax should be levied on land sales. Nevertheless, the council did not	In terms of Section 154 of the Pradeshiya Sabha Act No 15 of	Steps will be taken to levy a 1% tax on certain land sales in the future.

take any action to recover Rs1,157,852 as taxes from the total value of all the lands sold in 2017 amounting to Rs.115,785,249.

1987, action should be taken to collect tax on land sales.

3.4 Procurement

3.4.1 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. However, the council did not prepare a procurement plan.	Procurement plan should be prepared.	Our Sabha will prepare and implement a procurement plan in the future.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
It was estimated to collect Rs 1,000,000 of Rates and Taxes in the year under review, but recoveries were not done.	In terms of Section 134 (1) of the Pradeshiya Sabha Act No.15 of 1987, action has been taken to recover the Rates and Taxes.	Collecting information on Rates and Taxes to be collected, is in progress and action had been taken to recover this year.

4.2 Internal audit

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Internal audit of the Sabha for the year under review had not taken place.	Internal Audit Functions should be implemented.	Internal Audit Functions will be implemented in future.

4.3 Audit and Management Committees

----- 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.	The Audit and Management Committees should be established and Committee Meetings should be conducted.	The Council has held a minimum number of Audit and Management Committee meetings. Steps will be taken to implement the Audit and Management Committee meetings properly in future.