

**Eravur Pattu Pradeshiya Sabha
Batticaloa District**

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2019 had been submitted to audit on 27 February 2020 and the summarized Auditor General's Report relating to that financial statements was sent to the Chairman on 30 June 2020 and the detailed report sent on 19 June 2020.

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 Eravur Pattu 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

1.3.1 Accounting Policies

Audit Observation	Recommendation	Comments of the Accounting Officer
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The Financial Statements did not disclose the accounting policies adopted by the Council for the presentation of financial statements.	Accounting policies followed should be disclosed in the financial statements.	Accepted.

1.3.2 Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) The value of 800 books amounting to Rs. 102,270 that have not been returned by readers had not been valued and deducted from the closing book stock and shown as assets.	Action should be taken to remove from the accounts.	Action will be taken to remove it from the books and reduce its value from the final stock of books.

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| (b) | The value of the Montero, donated in the year 2017, has not been valued and brought to the financial statements. As a result, the net asset was undervalued from this amount. | The accurate amount of the assets should be taken to the final accounts. | Action will be taken to bring the correct value to the financial statements upon receipt of the assessment report. |
| (c) | The Solid Waste Management Centre valued at Rs.276 million was handed over to the Sabha by UNOPS in April 2017, but these assets were not disclosed in the financial statements. | All assets must be accounted for. | Action will be taken in the future to bring the correct value of the assets to the final accounts. |
| (d) | Rural Water Supply Plan valued at Rs.40 million was completed and handed over to the Sabha by the JICA program in May 2015 but these assets were not disclosed in the financial statements. | All assets must be accounted for. | Action will be taken in the future to bring the correct value of the assets to the final accounts. |

1.4 Non-Compliance

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

The following are instances of non-compliance with Laws, rules, regulations and management decisions.

Reference to Laws, Rules, Regulations and Management Decisions -----	Non-compliance -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka -----			
(i) Financial Regulation 571	Action had not been taken regarding lapsed deposits over 2 years amounting to Rs. 641,548 to pay back and settle or transfer to the income in accordance with the provisions of the Financial Regulations.	Must act in accordance with the provisions of the Financial Regulation.	I would like to inform that action will be taken to transfer the lapsed deposits to income.
(ii) Financial Regulation 1645 and 1646	Vehicle running charts and monthly summaries of vehicles used by the Sabha were not submitted to the Auditor General.	Running charts should be present monthly.	I would like to inform you that I have been instructed to send it to the Auditor General before the 15 of next month.

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the revenue over recurrent expenditure for the year ended 31 December 2019 amounted to Rs. 27,755,192 when compared with the revenue over recurrent expenditure of the preceding year amounted to Rs. 33,302,965.

2.2 Revenue Administration

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

Details of estimated revenue, billed revenue, collected revenue and arrears of revenue relating to the year under review and previous year as per the information submitted are shown below.

<u>Revenue Item</u>	<u>2019</u>				<u>2018</u>			
	<u>Estimated Revenue</u> Rs.	<u>Billed Revenue</u> Rs.	<u>Recovered Revenue</u> Rs.	<u>Arrears as at 31 December</u> Rs.	<u>Estimated Revenue</u> Rs.	<u>Billed Revenue</u> Rs.	<u>Recovered Revenue</u> Rs.	<u>Arrears as at 31 December</u> Rs.
Rates and Taxes	1,302,000	1,310,000	40,500	992,081	1,004,000	992,081	-	992,081
Rental	13,524,200	13,850,000	11,117,699	3,115,431	3,523,001	2,786,516	2,786,516	-
Licence Fee	3,312,000	3,500,000	2,884,752	-	14,177,700	-	10,022,610	3,047,521
Other Revenue	39,405,000	40,400,000	43,927,762	30,476,782	39,282,000	57,537,601	57,537,601	-
	57,543,200	59,060,000	57,970,713	34,584,294	57,986,701	61,316,198	70,346,727	4,039,602

2.2.2 Revenue Collection Performance

Audit Observation

Although the arrears to be recovered at the beginning of the year was Rs. 5,928,536, It was observed by the end of the year that it had increased up to Rs.12,236,158.

Recommendation

Arrears income should be recovered.

Comments of the Accounting Officer

Arrangements will be made in the future to recover the arrears.

2.2.3 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
During the year under review, rates and taxes were estimated at Rs.501,000, but only Rs.35,000 were recovered.	rates and taxes should be recovered.	I would like to inform you that action will be taken to collect assessments and taxes in future.

2.2.4 Shop Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
Only a sum of Rs. 5,466,012 had been levied as shop rent during the year under review and the outstanding value was Rs.3,115,432.	Shop rent should be recovered.	Arrangements will be made in the future to recover the arrears.

2.2.5 Trade Licences Fee

Audit Observation	Recommendation	Comments of the Accounting Officer
A sum of Rs. 2,786,516 had been levied as license fee during the year under review and there were no arrears had been shown.	The correct value must be calculated and recovered.	Arrangements will be made in the future to recover the arrears.

2.2.6 Entertainment Tax

Audit Observation	Recommendation	Comments of the Accounting Officer
Entertainment tax of Rs.992,081, which has been in arrears for several years from a cinema theatre, but the cinema theatre continues to function.	Legal action should be taken to recover the arrears.	I would like to inform you that action will be taken to levy entertainment tax on cinemas.

2.2.7 Courts Fines and Stamp Duty

Audit Observation	Recommendation	Comments of the Accounting Officer
Court fines of Rs. 18,442,076 and stamp fees of Rs. 12,034,706 had to be	Taking appropriate action in a timely	Arrangements have been made to obtain court fees and stamp duty.

received by as at 31 December 2019 manner.
from the Chief Secretary of the
Provincial Council and all authorities.

3. Operational Review

3.1 Performance

Audit Observation	Recommendation	Comments of the Accounting Officer
Sustainable Development Goals		
Sabha did not establish the indicators for the Sustainable Development Programs Agenda to be achieved by 2030.	Action should be taken to establish indicators.	Steps will be taken to establish indicators of sustainable development goals in the future.

3.2 Management Inefficiencies

Drinking Water Distribution Project of Kardiyanaaru

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The Provincial Council (PSDG) had spent Rs. 4.59 million from 2016 to 2018 to provide water connectivity to the Karadiyanaru area through the National Water Supply and Sewerage Board but so far no water has been provided to the people.	It had not been activated for more than 5 years. Need to act quickly.	With future funding, water will be distributed.
(b) Even though the cash balances existed ranged from Rs. 25 million to Rs. 30 million, action had not been taken to invest effectively and generate revenue.	Transfer to a suitable account and take action to obtain interest income.	Arrangements will be made to make a suitable investment to the money of the Sabha.

3.3 Human Resource Management

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Vacancies and Excesses		
There were currently 16 employees in excess to the approved cadre.	Recruitment should be done only in accordance with the Public Administration Circular.	When recruiting officers, Public Administration Circular No. 25/2014 will be taken into consideration and will be implemented in future.
(b) Arrears loan of Rs.147,776 which should be recovered from 4 employees who were resined their posts, retired, dismissed and transferred 5 years ago continuously shown in financial statements, without taking action to recover from the relevant persons or guarantors.	Need to take immediate action to recover.	Prompt action will be taken to recover from the relevant persons.

3.4 Operational Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) No action has been taken for many years to identify the property, assess it annually or over a period of time and levy an assessment tax.	Assessment tax should be levied.	Action will be taken to identify properties, assess them and levy assessment taxes.
(b) No action has been taken since 2009 to collect Rs.1,508,889 of arrears leases due from 18 shop and property leaseholders.	Legal action should be taken to recover the lease.	Action will be taken to recover the lease.

3.5 Assets Management

3.5.1 Assets not Documented

Audit Observation	Recommendation	Comments of the Accounting Officer
The Sabha had not yet taken appropriate action to identify and mark all the lands and buildings during the year under review.	Need to identify and document assets.	Steps are taken to identify, mark and document lands and buildings.

3.5.2 Maintenance and Repair

Audit Observation	Recommendation	Comments of the Accounting Officer
The tractor trailer bowser had not been repaired for a long time.	Action must be taken immediately.	Repairs will be made.

3.5.3 Annual Board of Survey

Audit Observation	Recommendation	Comments of the Accounting Officer
The annual Board of survey had not been conducted for the year under review. Also, libraries have not conducted a Annual Board of survey for 11 years.	Annual Board of survey should be done annually.	At present the annual Board of survey is conducted every year and the libraries also conduct the Board of survey from the year 2018 up to now.

3.6 Identified Losses

Audit Observation	Recommendation	Comments of the Accounting Officer
In the case of 800 books amount of Rs.102,270 in 08 libraries which had not been returned by the readers, no action had been taken to recover them or recover their value from the persons concerned. The assessed books were presented as assets without deduction from stock.	Need to take action to get back the books.	Action will be taken to get back the books.

3.7 Procurement

Procurement Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
Action had not been taken to prepare a procurement plan for the year under review and procure accordingly.	A procurement plan should be prepared.	Now the procurement plan is properly prepared and purchases are made accordingly.

3.8 Three Market building complexes not opened for public use

Audit Observation	Recommendation	Comments of the Accounting Officer
Construction of commercial building complexes at Pullimalai, Ayithamalai and Karadiyanaru were funded by USAD, NECORD projects and completed between 2011 and 2013. But the building complex was not handed over for public use, without earning revenue, and only maintenance costs were incurred and were in a state of abandoned.	Should be open for public use.	I inform you that, efforts are being made to increase revenue through these buildings.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
An Internal Audit Unit had not been established.	Should implement an internal audit unit.	Action will be taken to implement an internal audit function.

4.2 Audit and Management Committee

Audit Observation	Recommendation	Comments of the Accounting Officer
Although the Audit and Management Committees should be meet at least once a quarter, the Sabha did not hold any meetings during the year under review.	Committee meetings should be held quarterly.	Arrangements are made to hold Audit and Management Committees quarterly.