

PorathivuPattu 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 05 March 2020 and the summarized Auditor General's Report on that financial statements were sent to the Chairman on 30 June 2020 and detailed management report was 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 Porathivu 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 Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Although the recoverable stamp fee for the year under review was estimated at Rs. 6,986,412, it was not shown as arrears stamp fees in the financial statements for the year under review.	Income receivables should be accounted for.	By mistake it could not be stated in the financial statements regarding the stamp fee of Rs.6,986,412.
(b) The stamp duty for the year 2017 and 2018 was Rs. 7,523,697 out of which 1% or Rs.75,237 was collected from the Eastern Provincial Treasury as administrative expenses and the amount paid to the District Assistant Registrar General of Lands in Batticaloa and Kalmunai was not mentioned in the accounts in the year under review.	Profit should be calculated by comparing the total earned income with the related expenses.	By mistake it could not be stated in the financial statements regarding the amount paid to the District Assistant Registrar General of Lands in Batticaloa and Kalmunai.

- (c) Survey fees of Rs.745,954 charged by the Survey Department for verifying ownership of 10 lands owned by the Council were accounted as recurring expenses in financial statements. Survey fees are a capital expense related to land. A sum of Rs.745,954 of survey fees for confirmation of land ownership will be shown in the Land and Building Account in future.

1.3.2 Accounts Payables

Audit Observation	Recommendation	Comments of the Accounting Officer
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Accounts Payables		

Expenditure creditors of Rs.143,847 has not been settled so far and it has been shown under expenditure creditors for more than 07 years.	Expenditure creditors, if any, should be settled in the coming year.	The value of Rs.143,847.00 stated in the Expenditure Creditors Account will be settled on the decision of the Sabha.

1.3.3 Lack of Documentary Evidences

Audit Observation	Recommendation	Comments of the Accounting Officer
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Five subjects of accounts amounting to Rs.221,494,485 could not be satisfactorily verified during the audit due to non-submission of land deeds, asset documents and title deeds.	Documents to prove ownership should be submitted. Necessary steps should be taken to account in the ledger.	The ownership of the lands and buildings mentioned in the financial statements has been confirmed by the Divisional Secretary. Also, there are documents confirming the ownership of machinery and motor vehicles and carts. Copies are attached. Further, action will be taken to document the assets in the future.

1.4 Non-Compliances

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

Instances of Non-Compliance with the Laws, Rules and Regulations were stated below.

Reference to Laws, Rules, Regulations and Management Decisions	Non-Compliance	Recommendations	Comments of the Accounting Officer
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(a) Ministry of Public	No fuel combustion test was	Fuel combustion test	Steps have been

Administration and Management Circular No. 30/2016 dated 29 December 2016 performed on the vehicles should be carried out for the year under review. taken to check the fuel combustion.

(b) Public Administration Circular No. 02/2018 dated 24 January 2018 A human resource plan had not been prepared for the staff of the Sabha. A human resource plan should be prepared for the staff working. Action will be taken to prepare a human resource plan for the staff working.

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the recurrent revenue over expenditure for the year ended 31 December 2019 amounted to Rs. 3,196,766 against with the recurrent expenditure over revenue of the preceding year amounted to Rs. 78,699.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue and 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.

Revenue Item	2019				2018			
	Estimated Revenue	Billed Revenue	Collected Revenue	Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	1,100,000	-	10,450	-	1,100,000	--	--	--
Lease Rent	3,930,000	3,217,431	3,132,831	84,600	3,981,165	2,860,791	2,852,381	50,500
License Fee	2,000,000	1,707,506	1,707,506	-	2,400,000	985,095	985,095	--
Other Revenue	<u>11,370,000</u>	<u>12,339,118</u>	<u>12,340,587</u>	-	<u>11,325,000</u>	<u>6,075,197</u>	<u>6,076,148</u>	<u>17,898</u>
	<u>18,400,000</u>	<u>17,264,035</u>	<u>17,191,374</u>	<u>84,600</u>	<u>18,806,165</u>	<u>9,921,083</u>	<u>9,886,624</u>	<u>68,398</u>

2.2.2 Revenue Collection Performance

Audit Observation	Recommendation	Comments of the Accounting Officer
The council had not identified new sources of revenue for the year under review and had not taken action to increase revenue.	Although there are many sources of income, action should be taken to identify and recover them.	New sources of revenue will be identified by 2020 and steps will be taken to increase revenue.

2.2.3 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
By-laws should be established and action should be taken to levy rates and taxes.	Establish by-laws to recover rates and taxes.	Details are currently being collected for the rates and tax collection. Once it is completed, action will be taken to recover the full amount.

2.2.4 Stamp Duty

Audit Observation	Recommendation	Comments of the Accounting Officer
A sum of Rs.6,986,412 stamp duty was due by 30 June 2019 from the Chief Secretary of the Provincial Council and all authorities. Further, the Urban council had not calculated the stamp duty for the period from July 2018 to 31 December 2019 and collect it from the Registrar General in due course.	Earnings for the previous year and the year under review should be recovered in the year.	Stamp duty for the period from July to 31 December 2018 and from January to 30 June 2019 has been calculated and sent to the Provincial Income Tax Department.

3. Operational Review

3.1 Performance

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Financial Provisions not made Available According to the Annual Action Plan prepared for the year under review, out of 25 activities to be carried out by the Sabha and only 05 activities were planned for the year under review. Other activities were modified and implemented in accordance with the recommendations of the Sabha. As a result, 20 programs that were identified and proposed as needed by the public could not be implemented.	Proposed programs identified as needed by the people should be implemented.	21 activities to be implemented with funds and funds of the Eastern Provincial Specific Assistance Program etc. 16 activities could not be implemented due to insufficient revenue of the Sabha and lack of specific development assistance.

(b) Activities Contrary to Objectives

The Sabha had erected fences spending a sum of Rs.1,822,222 on 27 November 2016 under the Provincial Specific Development Assistance (PSDG) funds in Vivekananda Pura for waste collection. However, the fences had been damaged due to elephant breaking. Despite the harassment of the elephants, a solid waste collection center was set up at the same place during the year under review under the second phase of the health program at a cost of Rs.347,342. Even though a total of Rs. 2,169,564 was spent, but it remained unused and no steps were taken to achieve the desired objective.

When choosing a program, the choice should be made taking into account whether it can be achieved and the support of the people. If not, it should be used for alternative purposes.

After informing the Divisional Secretary due to the protest of the people in the village of Vivekanandapura which is reserved for the solid waste activity of our Sabha, we are allotted 07 acres of land and the waste is collected at that place. A sum of Rs.2,169,564.00 has already been completed for the previous purposes of this site which is suitable for composting in the allotted area. Future allocations will be made for the purchase of machinery for the production of fertilizers.

(c) Delays in Performing Duties

(i) Under the Deyata Kirula National Development Program in 2013, it was planned to construct a public library building at Sinnawattai village in the Sabha area at an estimated cost of Rs. 7,232,236 and it was entered in to an agreement on 31 January 2013 and 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 the Provincial Specific Development Assistance Funds (PSDG), Quality Based Development Assistance (CBG), and Sabha Funds in the year 2018, this library building remained inactive for 07 years without being completed and made available for public use.

This library building should be completed and made available for public use.

All work except the fence of the public library apartment building in Sinnawattai village has been completed. However, due to the adverse conditions prevailing in the country, it has not been able to open. It will be opened soon.

(ii) Strengthening Programme

Even though, reports have been submitted that the work on various programs have been completed in 2016 under the strengthening program, Out of the funds deposited in 2017, programs worth Rs 1,194,352 have not been completed by 29 April 2020.

Strengthening programs were to be completed in the due years.

The money deposited for the programs will be spent this year.

(d) Sustainable Development Goals

No action had been taken to establish indicators to measure the relevant activities on the Sustainable Development Programs Agenda.

Steps should be taken to establish indicators for measuring the development agenda to be achieved by the Sustainable Development.

Steps will be taken to establish indicators to achieve the Sustainable Development Goals.

3.2 Human Resource Management

Audit Observation	Recommendation	Comments of the Accounting Office
Vacancies and Excesses		
(a) There were 11 vacancies for 06 posts.	The Sabha should pay attention regarding the vacancies and excesses, and take action accordingly.	Staff vacancies have been requested to the relevant departments on several occasions but the vacancies have not been filled.
(b) Although the approved number of drivers for 15 vehicles belonging to the council was 06, no action had been taken to fill the vacancies as there were only three.	The Sabha should pay attention to the excess staff and take action accordingly.	Staff vacancies have been requested to the relevant departments on several occasions but the vacancies have not been filled.

3.3 Procurement

Procurement Plan

Audit Observation

Recommendation

**Comments of the
Accounting Office**

The Sabha had not prepared a procurement plan.

Procurement plan should be prepared.

The Pradeshiya Sabha will prepare a procurement plan in the near future.

4. Accountability and Good Governance

Internal Audit

Audit Observation

Recommendation

**Comments of the Accounting
Office**

During the year under review, no internal audit activities was conducted in the Sabha.

Internal audit activities should be conducted

Internal audit work is done during the year under review.