

## **Eravurpattu Pradeshiya Sabha – 2017**

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### **Batticaloa 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 2017 had been submitted to Audit on 28 March 2018 and the report of the Auditor General had been furnished to the Chairman on 13 September 2018.

##### **1.2 Qualified Opinion**

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In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, the financial statement for the year ended 31 December 2017 had been prepared accordance with Generally Accepted Accounting Principles and give a true and fair view of the financial position of the Eravurpattu Pradeshiya Sabha as at 31 December 2017 and the financial results of its operation and cash flow for the year then ended.

##### **1.3 Comments on Financial Statements**

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###### **1.3.1 Accounting Deficiencies**

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Following accounting deficiencies were observed.

- (a) The No. AE 8132 vehicle donated from UNOPS in 2017, had not been valued and included in the financial statements, thus net assets had been reduced by this amount.
- (b) Rs.276 million worth Solid Waste Management Centre had been handed over to the Pradeshiya Sabha in April 2017, but this property had not been disclosed in the Financial Statements.

###### **1.3.2 Accounts Receivable**

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The balance Rs.941,942 of Employee Loans granted to 10 transferred, retired and vacated post had been continuously shown in the financial statements without taking action to recover it.

### 1.3.3 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with laws and rules are analysed and given below.

<b>Reference to Laws, Rules, Regulations etc.</b>	<b>Non-compliance</b>
<b>(a) 1988 Pradeshiya Sabha (Financial and Administration) Rules</b>	
(i) Chapter 1 of Section 5(XII)	No security had been obtained from two officers involved in the payment of cash, stores and cheques.
(ii) Chapter III of Section 59	At the beginning of the each year, business tax should be computed within the boundaries of the Sabha, and a corresponding tax agenda had not been prepared.
<b>(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka</b>	
(i) Financial Regulation 571	Action had not been taken on Lapsed Deposits of over 02 years amounting to Rs.641,548 to settle or taken into Revenue according to Financial Regulation.
(ii) Financial Regulation 1645 and 1646	The Daily Running Charts with the Monthly Performance Summaries of the Sabha vehicles must be submitted to the Auditor General on 15 <sup>th</sup> of the following month, but the daily running Charts with the Monthly Performance Summaries of Sabha's vehicles had not been submitted to the Auditor General.

## 2. Financial Review

### 2.1 Financial Results

According to the Financial Statements presented, the excess of revenue over recurrent expenditure for the year ended 31 December 2017 had amounted to Rs.20,284,742. Compared to this, the excess of revenue over recurrent expenditure for the previous year amounted to Rs.11,161,865 thus indicating an increase of Rs.9,122,877 in the financial results.

### 2.2 Revenue Management

The following observations are made.

- (a) Action had not been taken to recover the lease amounting to Rs.2,756,013 from relevant persons, that had remained outstanding as at 31 December 2017.

- (b) Action had not been taken to recover the Entertainment Tax amounting of 2017 to Rs.495,899. Moreover, the Entertainment Tax had not been calculated and announced for the next year.
- (c) Failure to enact by Laws for the collection of income by the Sabha respectively under Section 126 and 134 of the Pradeshiya Sabha Act No. 15 of 1987, as a result, there are no charges collected for the 4 telecommunication towers company in the authoritative of the Sabha and to levy taxes on the houses and buildings constructed.

### **2.3 Working Capital Management**

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According to the cash book being maintained by the Sabha the balance was Rs.31 million and Rs. 40 million respectively at the beginning and end of the six month. But no any action had been taken to invest the money in effective way to earn income and therefore the Sabha is logging approximately Rs.1.7 million at beginning of the six month.

## **3. Performance Review**

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### **3.1 Sustainable Development Goals**

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According to resolutions at the 2015 Sustainable Development conference chaired by the Head of States of United Nations, no action had been taken to develop measurable indicators for the development Agenda to be achieved by the Sabha by 2030.

### **3.2 Management Inefficiencies**

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The number of children born in 2016 and 2017 was 306 and 294, respectively, in the 3 state hospitals with in the Eravurpattu area. Of these, less weight of the neonatal off spring were 40 and 45. Rs.150,000 was allocated for Maternal and Child Welfare Service in 2016, but the cost of the project had not been met. Further, Rs.350,000 had been allocated for Healthcare, Maternal and Child Care in 2017, but Rs.57,306 had been spent on non-essential purpose by the Eravurpattu Pradeshiya Sabha.

### **3.3 Operational Inefficiencies**

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#### **Drinking Water Supply Project of Karadiyanaru**

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The project was constructed at a cost of Rs.4 million at Karadiyanaru, which is under the authoritative area of Eravurpattu Pradeshiya Sabha, to provide drinking water to about 400 facilities through a loan scheme of JICA. Further, Rs.1,782,820 had been spent from Plan Lanka Organization. This project has been administrated by the Eravurpattu Pradeshiya Sabha since May 2015 and had not been distributed water to the public till date. Moreover, the implementation of this project without the consultation of the National Water Supply and Drainage Board, could not supply Clean Drinking Water to the public and the expectations and needs of the people had not been met yet.

### 3.4 Contract Administration

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When the local authorities are setting up the roads, implementing the Development Projects under the capital fund as per paragraph 1.2 of the circular dated 30 December 2015 of the Finance Commission, it was advised that the carpet road, tar road or concrete road should be put instead of gravel road to be used for longer period, despite of that a total of Rs.7,653,816 had been spent by the Pradeshiya Sabha to put gravel to 11 roads.

## 4. Accountability and Good Governance

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### 4.1 Budgetary Control

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Total actual capital expenditure was 17 per cent higher than the budgeted capital expenditure. It was observed that the budget had not been made use of as an effective instrument of management control.

## 5. Systems and Controls

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Special care is required in respect of the areas of control specified below.

<b>System</b>	<b>Deficiency</b>
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(a) Revenue Administration	Action should be taken to recover the arrears of revenue
(b) Preparation of Budget	Past cost should be taken to consideration when preparing a budget.
(c) Contract Administration	Actions should be taken according to the provisions of the Circular No 2016/01 of Finance Commission when constructing roads.
(d) Assets Management	Action should be taken to use fixed assets that are not used in Sabha.