

**Morawewa Pradeshiya Sabha**  
**Trincomalee District**

**1. Financial Statements**  
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**1.1 Presentation of Financial Statements**  
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Financial Statements for the year 2018 had been submitted to audit on 13 March 2019 and the summarized Auditor General's Report, Management Report relating to that were sent to the Chairman on 29 May 2019 and 31 May 2019 respectively.

**1.2 Qualified Opinion**  
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In my opinion, except for the effect of the matters described in the paragraph of Basis for Qualified Opinion, financial statements give a true and fair view of the financial position of the Morawewa 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**  
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**1.3.1 Accounting Deficiencies**  
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	<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
(a)	Library books amounting to Rs. 75,000 purchased during the year under review had not been capitalized.	Purchased books should be capitalized.	Action had been taken to capitalized in the year 2019.
(b)	Even though the fixed deposits belonging to the Sabha was Rs.6,500,000, it was accounted in the final accounts as Rs.6,481,927.	It should be shown the correct value of the fixed deposits.	Omitted in the accounting. Action had been taken to clear in the year 2019.
(d)	As per the shop rent ledger the receivable shop rent was Rs.71,592, but it was shown in the final accounts as Rs. 112,466.	It should be maintain accurate shop rent ledgers.	Action had been taken to include to the final accounts of the year 2019.
(e)	Interest of Rs. 384,703 for the loan obtained from the local loan and development fund for purchase of a JCB machine had not been accounted.	Payable loan interest amount should be taken to accounts.	Comments had not been made by the accounting officers.

### 1.3.2 Unreconciled Accounts

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 The following non reconciliations were observed.

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
As per the loan register staff loan as at 31 December 2018 was Rs.1,150,574, but as per the balance sheet it was Rs.878,607, therefore a difference of Rs. 271,940 existed.	Action should be taken to correct the changes in the relevant balances and correct the accounts.	This has been caused by the officers who transferred from our office several years ago without settle properly the loans. The officials have been asked to repay the loan for several years but the loans have not been settled. Therefore, they have been informed that if the loan is not paid, legal action will be taken against them.

### 1.3.3 Suspense Accounts

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Even though the suspense accounts balance shown in the financial statements as at 31 December 2018 was Rs.7,864,759, action had not been taken to investigate and make adjustments to the accounts and settle the balances.	It should be investigate and make adjustments and should settle the suspense accounts balance.	This was caused by an error in the preparation of the final accounts several years ago. Action will be taken to settle during the year 2019.

### 1.3.4 Lack of Documentary Evidences for Audit

#### (a) Information not Furnished

Account Item -----	Recommendation -----	Comments of the Accounting Officer -----
The audit could not be satisfactorily verified due to the lack of evidence presented before that for 02 account items amounting to Rs. 1,164,852.	Evidences should be present to prove the account balances shown in the financial statements.	Action had been taken to recover related amount quickly.

## 1.4 Non-Compliance

### 1.4.1 Non-Compliances with Laws, Rules, Regulations and Management decisions

<b>Reference to Laws, Rules, Regulations and Management decisions</b>	<b>Non-Compliance</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) Financial Regulation of the Democratic Socialist Republic of Sri Lanka	All departments and sub-departments that do not have special stores rules must maintain an inventory book. Even though the Sabha had maintained an inventory book, action had not been taken to correctly update.	The inventory book must be properly updated.	Comments had not been made by the accounting officers.
(i) Financial Regulation 454			
(b) Pradeshiya Sabha Regulations (Finance and Administration) of 1988			
(i) Regulation No. 13	A certified copy of the budget was not submitted for audit before the start of the year.	A certified copy of the budget should be submitted for audit before the start of the year.	Comments had not been made by the accounting officers.
(ii) Regulation No. 217	A fixed assets register had not been maintained.	A fixed asset register should be maintained.	Comments had not been made by the accounting officers.
(iii) Regulation No. 17	A register for receipt books in the prescribed format had not been maintained.	A register for receipt books should be maintained.	Comments had not been made by the accounting officers.
(iv) Regulation No. 76	There was no rent ledger maintained for the rented outlets of the Sabha.	A register for rent should be maintained.	Comments had not been made by the accounting officers.

## 2. Financial Review

### 2.1 Financial Result

According to the financial statements presented, the revenue over recurrent expenditure for the year ended 31 December 2018 amounted to Rs. 324,795 when compared with the revenue over recurrent expenditure of the preceding year amounted to Rs. 2,657,153.

### 2.2 Revenue Administration

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

Details of estimated revenue, listed 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 Source	2018				2017			
	Estimated Revenue Rs.000	Billed Revenue Rs.000	Collected Revenue Rs.000	Arrears as at 31 December Rs.000	Estimated Revenue Rs.000	Billed Revenue Rs.000	Collected Revenue Rs.000	Arrears as at 31 December Rs.000
Rates and Taxes	62	-	-	-	112	8	-	70
Rent	4,705	2,687	2,615	72	5,360	2,408	2,183	225
License Fee	251	219	219	-	50	166	166	-
Other Revenue	3,005	1,494	1,494	-	3,571	3,569	3,569	-

#### 2.2.2 Court Fines and Stamp Duty

##### Audit Observation

Action had not been taken by the Sabha to recover court fines to be paid from the Chief Secretary of the Eastern Provincial Council and other authorities as at 31 December 2018.

##### Recommendation

Action should be taken to recover court fines.

##### Comments of the Accounting Officer

Comments had not been made by the accounting officers.

## 3. Operating Review

### 3.1 Performance

Following matters were revealed relating to the functions to be performed by the Sabha for the regulation and control, Public luxury and convenience and welfare of Public Health, Public Utilities and Public Roads under the provisions of Section 3 of the Pradeshiya Sabha Act.

**(a) By-Law**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Although sub rules are to be imposed to accomplish 28 key matters in respect of Section 126 of the Pradeshiya Sabha Act, sub rules relating to this special matters had not been imposed even by 31 December 2018.	By-laws should be imposed.	Comments had not been made by the accounting officers.

**(b) Action Plan**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
An annual action plan had not been prepared for the year 2018.	An action plan must be prepared and approved and act accordingly.	Comments had not been made by the accounting officers.

**(c) Abandoned activities**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
A community organization was assigned to construct a weekly fair in Mahadivulwewa area under the National Program for Strengthening Pradeshiya Sabhas – 2017 on 06 October 2017 for a sum of Rs.1,000,000 under the provisions of the Ministry of Provincial Councils and Local Government. The community organization had stated that the construction was not possible because of the high cost of materials, but no formal proof had been presented. Also, the Sabha has not yet again awarded the contract to another community or contractor. As a result, the construction of the weekly fair, which was a necessity of the people of this area, had not been completed by 8 April 2019.	Requirements should be considered.	Comments had not been made by the accounting officers.

#### (d) Environmental Issues

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer</b> -----
Even though Environmental Protection License (EPL) should be obtained in the case of implementing enterprises such as paddy mills, carpentry and cement based industries in terms of the provisions of Section 23”a” of the National Environmental Act No. 47 of 1980 amended by Act No. 56 of 1988 and No. 53 of 2000, There were 16 such enterprises operating within the Sabha area without obtaining such licenses. The Sabha did not take the necessary steps to address potential environmental issues.	Businesses that need Environmental licenses should be allowed to do business after they are issued licenses.	Steps have been taken to address the issue in the year 2019.

#### 3.2 Management Inefficiencies

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer</b> -----
(a) The loan of Rs. 9,520,000 obtained for purchase of a JCB machine in May 2013 for repayment in 60 monthly installments from the Local Loan and Development Fund could have been settled by May 2018 if the Sabha had paid the due amount on time. But the Sabha had not paid from May 2016. Therefore, a sum of Rs. 4,523,342 had been remained as payable of installment and interest.	Action should be taken to pay the loan installments and interest.	This has been caused by the failure to pay the loan installments on time as the income level of the Sabha is very low. A portion of the outstanding installments has been paid and arrangements have been made to settle it in the future.
(b) His Excellency the President presented a sum of Rs. 10,000,000 to the Sabha in the year 2018. Although this grant was made for all members of the Sabha to use Rs. 100,000 each	The money donated should be used for productive development. Also the expenses should be incurred according	The relevant Member has been asked in writing to hand over the goods to the Pradeshiya Sabha. Arrangements have been made to obtain them in the

for development purposes, One of the member had purchased items worth Rs. 59,975 for his office use. There was no specific plan approved by the Sabha for this grant. to an approved plan. future.

### 3.3 Human Resource Management

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Action had not been taken to fill the posts of Librarians, Electrical Technicians, Management Assistants and Development Officers which were vacant for more than 05 years.	Action should be taken to fill those vacancies.	The Deputy Chief Secretary (Administration) has informed that the officers will be appointed in future recruitment for the posts of Management Assistant, Development Officer and Librarian. The appointment of an electrician is currently in progress and appointments are due shortly.
(b) Action had not been taken to recover staff loan amount of Rs. 100,145 payable by 04 resigned employees even as at 8 April 2019 in accordance with the provisions of Section 4, Chapter XXIV of the Establishments Code.	Action should be taken to recover those loans.	A number of times creditors have been asked to settle their loans, but not paid. Legal action will be taken against them in future.

### 3.4 Procurement

#### 3.4.1 Procurement Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
Even though a procurement plan should be prepared according to the National Budget Circular No. 128 dated 24 March 2006, it was not so done.	A procurement plan should be prepared.	Comments had not been made by the accounting officers.

**3.4.2 Contract Administration**

**3.4.2 Development of Multipurpose Building –No. 01**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) The building was constructed by the Sabha without the approval of the Urban Development Authority Act No. 41 of 1978 and the Planning and Building Regulations specified in the Extraordinary Gazette Notification No. 392/9 of 10 March 1986.	Action should be taken to obtain the approval.	Comments had not been made by the accounting officers.
(b) Even though a sum of Rs.194,999 to be paid for placing concrete on the first floor, plastering the walls, plating the lintel and painting the inner walls (C4, C6, C7, II), the council had recommended a payment of Rs. 270,374 for these activities. Accordingly, the council had certified the bills for an additional payment of Rs. 75,375 and sent it to the Local Government Department.	Action should be taken to recover over payments.	Comments had not been made by the accounting officers.
(c) The community organization had not taken action to supply 04 items of Rs. 114,075 even at 11 April 2018 and The Sabha had submitted a bill with confirming the receipt of the goods.	Action should be taken to obtain from the community organization.	Comments had not been made by the accounting officers.
(d) The work of the contract had to be completed before 06 November 2017, but the contractor had not completed it even by 11 April 2018. However, the Sabha had issued the Completion Certificate on 26 December 2017 ensuring that the above work was completed satisfactorily.	Responsible authorities must ensure that they are correct in ensuring the success of the work completed and it should be supervised by the higher authority	Comments had not been made by the accounting officers.



### 3.4.3 Construction of Multipurpose Building

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>Under the Pura Neguma Project, a contract was awarded for constructing a multipurpose building for a sum of Rs. 8,401,836 on 11 April 2016 and the work of the contract was to be completed by 12 September 2016. But since it was completed on 30 November 2016, accordingly, it was stated in earlier years that action should be taken to recover demurrage recoverable amount of Rs.327,617 but the Sabha had not taken action up to now to recover it.</p>	<p>Action should be taken to recover delay charges.</p>	<p>Action will be taken to recover those delay charges in the year 2019.</p>

### 3.4.4 Concreting of Mailakuda Tank Main Road

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>Under the Pura Neguma Project, a contract agreement for the second stage of concreting the Mylakuda Tank Main Road has been signed for a sum of Rs. 4,000,280 on 08 July 2016 and the work of the contract was to be completed by 8 October 2016. But since it was completed on 01 January 2017, the demurrage charges to be recoverable in terms of 6.4 of the contract agreement is Rs.168,012. However, it was deducted a sum of Rs. 60,004 and it was stated in earlier years that the unrecovered demurrage should be Rs.108,008 but the Sabha had not taken action up to now to recover it.</p>	<p>Action should be taken to recover delay charges.</p>	<p>Action will be taken to recover those delay charges in the year 2019.</p>