

Maha Oya Pradeshiya Sabha
Ampara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented for audit on 22 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 31 May 2019 .

1.2 Qualified Opinion

In my opinion except for the effect of matters described in the basis for qualified opinion of this report, the financial statements give a true and fair view of the financial position of the Maha Oya 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

(a) Accounting Deficiencies

Audit Observation

Recommendation

Comments of the Accounting Officer

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| i. 07 stalls of Unuwathura Bubula constructed at a cost of Rs.2,577,617 in 2017 and erection of hand support under second stage of the shopping complex of Kekirihena had not been capitalized. | Accounts should be prepared accurately. | Action will be taken to make adjustments for final account in the next year. |
| ii. Value of Trailer Bowser purchased under second health programme which amounted to Rs.335,000 had not been capitalized. | Accounts should be prepared accurately. | Action will be taken to make adjustments for final account in the next year. |
| iii. Maha Oya bus halt and stalls constructed under Deyata Kirula programme which were transferred to the Pradeshiya Sabha in 2018 had not been assessed and capitalized. | Accounts should be prepared accurately. | Although Maha Oya bus halt and stalls constructed under "Deyatakirula" in 2013 have been transferred to the Maha Oya Pradeshiya Sabha on 16.03.2018 by District Secretary, Ampara, no any document was given to us regarding its value . Hence it was not possible to enter the same in Fix Assets Register and to be capitalized. The current practice followed is to rent |

		out those stalls through assessed tender procedure.
iv. The expenditure of Rs.130,000 made for creating Website of the Pradeshiya Sabha in 2018 had not been brought to accounts as an Intangible assets.	Accounts should be prepared accurately.	Action will be taken to make relevant adjustments and brought to accounts as Intangible assets.
v. A sum of Rs..2,570,288 receivable from the Ministry of Provincial Councils and Local Government for development projects undertaken for 2018 had not been brought to accounts.	Accounts should be prepared accurately.	It was due to an inadvertant mistake and will be brought to account for 2019.
vi. The stamp fees of Rs.229,845 receivable as at 31 December 2018 had been brought to account as Rs.89,185.	Accounts should be prepared accurately.	Action will be taken to obtain shortage from the Dept. of Inland Revenue Rs.136,795 as at 31 Dec. 2016, Rs.76,520 as at 31 Dec. 2017 and Rs . 16,530 as at 31 Dec. 2018.
vii. Stamp fee of Rs.332,675 payable to the Dept. of Inland Revenue for the period from 2013 to 2018 had been under stated as Rs.70,946 in the financial statements.	Accounts should be prepared accurately.	Understated in financial statementsse incurrctly. Payment to the Dept. of Inland Revenue from 2013 to 31 Dec. 2018 amounted to Rs.332,675. However in 2018 a sum of Rs. 49,293 was paid in 2018 and action will be taken to pay the balance of Rs.381,968 to the Dept. of Inland Revenue in future.
viii. A sum of Rs.94,492 at hand in respect of two development projects implemented in 2018 under Pradeshiya Sabha Development Fund had not been brought to accounts.	Accounts should be prepared accurately.	Impossible due to an inadvertant mistake and action is being taken to bring ther same to accounts.
ix. The interest in arrears amounting to Rs.553,811 payable as at 31 December 2018 in respect of a loan obtained from Local Credit and Development Fund had not been brought to accounts.	Accounts should be prepared accurately.	Action will be taken in future to make necessary adjustments and bring to accounts.
x. Loan interest in arrears amounting to Rs.105,492 paid for the period before April 2014 in respect of a loan obtained under Local Credit & Development Fund had not been adjusted to accumulated Fund.	Accounts should be prepared accurately.	Action will be taken in future to make necessary adjustments to accumulated Fund.

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| xi. Instead of a sum of Rs.1,347,316 to be set off to the revenue from Deposit Account, Rs.1,721,316 had been set off. | Accounts should be prepared accurately. | Action will be taken to adjust excess sum of Rs.374,000 and brought to account. |
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(b) Unreconciled Accounts

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
According to financial statements, fixed assets amounted to Rs.121,678,390 and , as per schedule the same had been Rs.83,835,119 resulting in unreconciliation of Rs.37,843,271.	Action should be taken to reconcile differences and rectify accounts.	By submitting proposal to Sabha, action will be taken to appoint a committee to value assets not included in Fixed Assets Register in 2011 and include those values in the Fixed Assets Register and bring into accounts.

(c) Accounts Receivable and Payable

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Stamp fees of Rs.311,021 payable to the Dept. of Inland Revenue from 2013 to 2017 had not been settled even at the end of the year under review .	Action should be taken to settle balances payable.	Early action will be taken to settle the amount payable from 2013 to 2017 by obtaining a decision from a Sabha to this effect.

(d) Lack of Necessary Documentary Evidence for Audit

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Four items of assets valued at Rs.122,195,515 and Two items of liability of Rs.54,567,886 could not be satisfactorily vouched due to non submission of registers, schedules and time analysis.	Evidence should be submitted to established account balances shown in financial statements.	Action will be taken to maintain registers.

1.4 Non Compliance

Non Compliance with Laws, Rules, Regulations & Management Decisions

Instances of non compliance with Laws, Rules, Regulations and management decisions are as follows,.

Reference to Laws, Rules, Regulations and Management Decisions	Non Compliance	Recommendations	Comments of the Accounting Officer
(a) Pradeshiya Sabha Act No.15 of 1987			
i. Section 19 (i) and (ii)	The Sabha had recruited a substitute driver and a casual health labourer in 2013 & 2014 without approval of the Local Government Commissioner.	Action should be taken in terms of provisions of the Pradeshiya Sabha Act.	Approval obtained from the Sabha in October 2018 has been submitted to the Local Government Commissioner for approval to make recruitment on substitute basis..
ii. Section 13 2 (e)	Action had been taken to distribute materials and goods worth Rs.1,584,660 among registered voluntary societies within the authority area without prior written approval of the Minister.	Action should be taken in terms of provisions of the Pradeshiya Sabha Act.	Letters have been forwarded to the Governor and action was taken to provide relief to damaged houses based on a decision of the Sabha until the relevant approval is obtained.
(c) Finance Regulations of the Democratic Socialist Republic of Sri Lanka			
FR 110	Loss/Damage Register had not been maintained.	Action should be taken in	At present a Loss/ Damage Register is being maintained to enter loss/damages caused

terms of Finance Regulations. to machinery & equipment of the Sabha.

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2018 amounted to Rs. 1,465,381 as compared with the excess of the recurrent expenditure over revenue of the preceding year amounted to Rs. 4,767,509.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue collected and the Arrears of Revenue.

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	Estimated Revenue	2018			Estimated Revenue	2017		
		Billed Revenue	Collected Revenue	Total in arrears as at 31 Decemb.		Billed Revenue	Collected Revenue	Total in arrears as at 31 Decemb.
	(Rs.Mn)	(Rs. Mn)	(Rs.Mn)	(Rs.Mn)	(Rs.Mn)	(Rs.Mn)	(Rs.Mn)	(Rs.Mn)
Rates & Taxes	400	439	439	-	-	383	383	-
Lease Rent	7,531	9,526	8,090	1,435	6,612	6,013	5,902	453
Licence fee	290	348	348	-	286	302	302	-
Other Revenue	5,048	8,232	7,860	371	4,778	6,391	6,019	323

2.2.2 Rates & Taxes

Audit Observation

Although the authority area is consisting of basic facilities rates and taxes had not been collected.

Recommendation

Action should be taken to collect taxes and rates.

Comments of the Accounting Officer

Approval of the Sabha had not been given to collect rates & taxes within the authority area. Hence rates & taxes not

collected. Action will be taken to collect in the next year.

2.2.3 Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
Stall rent of Rs.202,494 for 28 stalls owned by the Sabha which were in arrears as at 31 December 2018 had not been recovered.	Stall rent in arrears should be collected.	At present Rs.50,000 had been recovered and letters have been sent to stall traders informing to pay rent.

2.2.4 Court fines & Stam Fees

Audit Observation	Recommendation	Comments of the Accounting Officer
Court fines and stamp fees recoverable as at 31 December 2018 had been Rs.265,667 and Rs.105,715 respectively.	Court fines & Stamp fees in arrears should be recovered.	Action will be taken to recover by forwarding requests to Majistrate Court & Provincial Dept. of Inland Revenue..

3. Operating Review

3.1 Performance

The following matters were revealed with regard to duties and functions to be fulfilled by the Sabha under Section of the Pradeshiya Sabha Act such as regulation of control of matter relating to public health, common amenities and public highways, healthy environment of the public facilities and welfare etc.

(a) By-Laws

Audit Observation	Recommendation	Comments of the Accounting Officer
Although by-laws had to be enacted to fulfill 30 main functions under Section 126 of the Pradeshiya Sabha Act only 05 by-laws had been drafted even by 31 December 2017.	By-Law should be enacted to deal with matters for which no by-laws have been enacted.	No comments have been made.

(b) Action Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
No Action Plan had been prepared for the year under review.	Action Plan should be prepared for each year.	No comments have been made.

(c) Activities Abandoned

Audit Observation	Recommendation	Comments of the Accounting Officer
Although a lodging house had been constructed at a cost of Rs.535,936 under environment preservation project in an around Viduli Bubula under Pradeshiya Sabha augmentation programme in 2017, work had not been completed even by 31 December 2018 and abandoned without taking action to complete the same.	Constructions should be completed and brought to the condition of utilization.	Provisions of Rs.1,653,779 had been allocated for the project and financial progress of Rs.535,936 had been achieved by 31 December 2017. As funds had not been allocated for 2018 it was not possible to complete construction.

(d) Sustainable Development Targets

Audit Observation	Recommendation	Comments of the Accounting Officer
Although the Pradeshiya Sabha had been well aware of “Sustainable Development Agenda 2030”, sustainable development objectives & targets had not been identified.	Sustainable targets and objectives should be identified & established..	Although the Pradeshiya Sabha was aware of the sustainable Development targets it had not gained understanding on its implementation.

3.2 Human Resources Management

Audit Observation	Recommendation	Comments of the Accounting Officer
i. As at 31 December 2018 08 vacancies existed of 05 posts of the cadre while 08 employees had been recruited on substitute basis.	Vacancies of the cadre should be filled while approval should	Employees are required for implementation of programmes implemented by the Pradeshiya Sabha. Therefore with the

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| <p>ii. Loan balances of Rs.25,359 recoverable from 06 officers who got transfers out and vacated posts after having served the Sabha from 2011 to 2015 had not been recovered.</p> | <p>be obtained to get approval for excess staff. Action should be taken to recover loan balances.</p> | <p>approval of the Provincial Governer Labourers were recruited on substitute basis Action will be taken to recover.</p> |
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3.4 Assets Management

3.4.1 Not obtaining revenue recoverable from assets

Audit Observation	Recommendation	Comments of the Accounting Officer
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Action had not been taken to earn revenue from the canteen constructed in Unuwatura Bubula, Maha Oya in 2017 at a cost of Rs.1,735,352.	Action should be taken to lease out the canteen.	No comments had been made.

3.4.2 Assets not Transferred

Audit Observation	Recommendation	Comments of the Accounting Officer
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i. Action had not been taken to transfer the ownership of 09 vehicles and machinery and equipment to the Sabha.	The ownership of vehicles and machinery/equipments should be transferred.	Action had not been taken to transfer the ownership of those vehicles and machinery and equipments as many of them were not in usable condition. Action will be taken to transfer in future. Further no any documents had been handed over to the Sabha in respect of 02 motor cycles received under Community Water Project and action will be taken to obtain them and to transfer the wonership.
ii. Action had not been taken to acquire 36 land blocks to be utilized by various purposes even at the end of the year under review.	Ownership of lands should be transferred.	Duly filled application of land transfer in respect of all lands as submitted to the Mahaweli Authority through Asst. Commissioner of Local Government. However no action had been taken by the MASL upto date. Therefore action will be taken to re-submit the application.

3.4.3 Idle and Under-Utilized Assets

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
i. A shopping complex consisting of 24 stalls and a weekly fair had been constructed in 2015 and 2017 at a cost of Rs.33,926,468 under Puraneguma Project and Agreement had been signed with lessees in 2015 and 2017 to rent out stalls in the shopping complex. However, even by 31 December 2018 those stalls had not been utilized and only the weekly fair had been utilized for the relevant purpose.	Action should be taken to rent out stalls and use the weekly fair.	Although Agreements were signed in 2015, 2017 with lessees and shops open, the traders on several occasions made written requests to get reduced the rental as trading had not been successful. Therefore information were sent to the Department of Valuation to obtain valuation report. However the relevant report has not been received so far. Following the receipt of the report action will be taken to revise rental and open shops. Although Kekirihena weekly fair was opened in 2017, it couldn't be continued due to non presentation of traders/sellers.
ii. 07 vehicles and machinery/equipments in running/operational conditions remained idle.	Vehicles and machinery/equipment should be utilized.	05 vehicles and machinery/equipment are not in running/operational condition and relevant documents not available. Hence they couldn't be utilized.

3.4.4 Utilization of Vehicles

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Due to an accident to Bacho Loder's left side glass was damaged on 11 August 2018. Although it has been agreed made available a sum of Rs.72,299 by the Insurance Company, action had not been taken to repair the vehicle by 11 April 2019.	Early action should be taken to repair by obtaining compensation under insurance cover.	The Sri Lanka Insurance Corporation had agreed to make compensation payment of Rs.72,299 to replace the left side glass of the Bacho Loder. However due to non availability of a glass of that kind at the service providing institution, repair work had been delayed and action will be taken to effect repair work soon after the glass is made available.

3.5 Irregularities Appeared

Audit Observation	Recommendation	Comments of the Accounting Officer
Although 03 substitute labourers and one substitute driver who had been recruited on 01 August 2018 under approval of the Local Government Commissioner had reported for duty of the Pradeshiya Sabha on 01 August 2018. However a sum of Rs..96,768 had been paid on 04 September 2018 upon false documents prepared as those employee had served in July 2018.	With regard to the employment of substitute labourers, payments should be made upon a recommendation of an officer at Supervisory Level.	Approval had been obtained by the Sabha on 11 May 2018 for recruitment of 04 employees. Accordingly applications obtained through a press notice published on 13 June 2018 and the applicants interviewed on 22 June 2018 following which 04 applicants had been recruited. They had been employed in the month of July and salaries paid accordingly.

3.6 Procurement

3.6.1 Procurement Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
Annual Procurement Plan had not been prepared for 2018 as per National Budget Circular issued on 24 March 2006..	A procurement plan should be prepared.	No procurement plan has been prepared by the Pradeshiya Sabha upto date and action will be taken to follow procurement plan from next year.

3.5.2 Supplies and Services

Audit Observation	Recommendation	Comments of the Accounting Officer
Minimum period of time had not been made available for calling of Bids as per Section 6.2.2. of the Procurement Guideline.	Procurement Guideline should be followed.	As those purchasing had to be done before the end of the year bid calling letters were hand-delivered upon my instruction due to the urgency of the relevant purchasing.