

**Maha Oya Pradeshiya Sabha
Ampara District**

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2019 had been submitted to audit on 14 May 2020 and the summarized Auditor General's Reports and Detailed Management report relating to that were sent to the Chairman on 22 July 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 Maha Oya Pradeshiya Sabha as at 31 December 2019 and its financial performance for the year then ended in accordance with the 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) The value of the Maha Oya bus stand shops constructed under the Deyata Kirula Development Program in 2013 and handed over to the Pradeshiya Sabha in the year 2018 had not been taken into account.	Must be properly accounted for.	The ownership of the Mahaoya bus stand has been transferred to the Pradeshiya Sabha but no document has been given to us regarding its value. I will take action to account for that value once we receive it.
(ii) Payable Expenditure on the construction of the elephant fence around the Madugala Pilisaru Center was understated by Rs. 1,099,790.	Must be properly accounted for.	Action will be taken to rectify this in the preparation of the final account for the year 2020.
(iii) Stamp duty income amount of Rs.186,885 from 2015 to 2018 had not been accounted for.	Must be properly accounted for.	Accepted. Action will be taken to rectify this in the future.
(iv) Consumer goods worth Rs.670,280 purchased during the year under review were capitalized under motor vehicles and carts.	Must be properly accounted for.	Accepted. Action will be taken to rectify this in the future.

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| (v) Salaries payable of Rs. 358,360 for the year under review had not been accounted for. | Must be properly accounted for. | Accepted.
Action will be taken to rectify this in the future. |
| (vi) Shop deposits at the end of the year under review, had understated by Rs.328,385. | Must be properly accounted for. | Accepted.
Action will be taken to rectify this in the future. |

(b) Accounts Receivables and Payables

Audit Observation	Recommendation	Comments of the Accounting Officer
Accounts Payables		
The stamp duty payable to the Inland Revenue Department from 2013 to 2018 was Rs. 332,675 which had not been settled by the end of the year under review.	Action should be taken to settle the balance due.	Accepted. Action will be taken to rectify this in the future.

(c) Documentary Evidences not made available for Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
Evidences had not been presented for 04 assets items of Rs.126,125,326 and 02 liabilities items of Rs.5,817,796.	Evidence confirming the account balance in the financial statements should be submitted.	Accepted. Documents will be prepared, updated and maintained in the future.

1.4 Non-Compliance

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

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-Compliances	Recommendation	Comments of the Accounting Officer
	(Rs.)			
(a) Pradeshiya Sabha Act No. 15 of 1987				
(i) Section 126	-	By-laws on solid waste management	Must act in accordance with the provisions of the Pradeshiya Sabha Act.	Accepted. In the future, compost

		had not been enacted to cover the cost.		production will be increased and sold.
(ii) Section 159	3,163,087	The arrears rent of 69 shops owned by the Pradeshiya Sabha had not been recovered.	Must act in accordance with the provisions of the Pradeshiya Sabha Act.	At present, except for 24 shops in Kekirihena, rent from 45 shops have been recovered.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulations 571	875,715	154 deposits exceeding 2 years had not been dealt with as at 31 December of the year under review.	Financial regulations must be followed.	Arrangements will be made to recoup this deposit income in the future.
(c) Public Administration Circular No.30/2016 dated 29 December 2016	-	Fuel burning test was not done for 03 vehicles.	Circulars must be followed.	Action will be taken to get fuel burning test in the future.
(d) Circular No. 1980/46 of 31 December 1980 of the Commissioner of Local Government		The rent of 63 leased shops owned by the Sabha had not been assessed every five years.	Circulars must be followed.	The shops were last assessed in 2014 and I would like to inform you that the shops will be re-assessed in the future.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue over recurrent expenditure for the year ended 31 December 2019 amounted to Rs. 96,551 when compared with the revenue over recurrent expenditure of the preceding year amounted to Rs. 1,465,381.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears Revenue

Information of estimated revenue, billed revenue, collected revenue and arrears of revenue relating to the year under review and previous year are shown below.

Revenue Source	2019				2018			
	Estimated Revenue	Billed Revenue	Recovered Revenue	Arrears as at 31 December	Estimated Revenue	Billed Revenue	Recovered Revenue	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	450,000	591,000	591,000	-	400,000	439,200	439,200	-
Rental Income	9,247,200	11,715,822	8,552,735	3,163,087	7,531,343	8,179,086	6,743,169	1,435,927
License Fee	340,500	332,358	332,358	-	290,400	348,764	348,764	-
Other Revenue	<u>5,693,400</u>	<u>7,292,460</u>	<u>6,623,235</u>	<u>669,225</u>	<u>5,043,869</u>	<u>8,215,727</u>	<u>7,860,876</u>	<u>354,852</u>
	<u>15,731,100</u>	<u>19,931,640</u>	<u>16,099,328</u>	<u>3,832,312</u>	<u>13,265,612</u>	<u>17,182,777</u>	<u>15,392,009</u>	<u>1,790,779</u>

2.2.2 Rates and Taxes

Audit Observation

Recommendation

Comments of the Accounting Officer

Although the Sabha area is an area with basic amenities, no rates and taxes has been levied so far.

It is advisable to make the necessary arrangements for charge the rates and taxes.

During the meeting held in July 2018, the approval of the Sabha was obtained for the imposition of rates and tax under the decision of the Council on 2018/07/SD/08. A committee has also been appointed for this purpose. The committee has identified suitable areas for the charge rates and tax and submitted it to the Sabha in April 2019. The Council later adjourned approval. Areas identified for charge rates and taxes have not been approved by the council.

2.2.3 Court Fines and Stamp Duty

(a) Stamp Duty

Audit Observation

Recommendation

Comments of the Accounting Officer

The stamp duty due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2019 was Rs.324,850.

Arrears of stamp duty should be recovered.

I will take necessary action to reimburse the stamp duty amount of Rs. 324,850.00 receivable on 31.12.2019.

3. Operational Review

3.1 Performance

Following matters were revealed relating to the functions which should be performed by the Sabha to regulate and administrate public health, public utility services and public roads and luxury, convenience and welfare of the people under section 3 of the Pradeshiya Sabha Act.

(a) By-Laws

Audit Observation	Recommendation	Comments of the Accounting Officer
Under Section 126 of the Pradeshiya Sabha Act, by-laws had to be enacted to fulfill 30 main matters, but by 31 December 2019, by-laws had been enacted for only five matters.	By-laws must be enacted for matters where no by-laws are enacted.	It was decided at the monthly general meeting held on 10.07.2020 to make 08 by-laws in addition to the 05 by-laws currently in force.

(b) Action Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
An action plan had not been prepared by the Sabha for the year under review.	An action plan should be prepared for each year.	No action plan has been prepared for the year under review and an action plan has been prepared to be updated for the period from 2018 to 2022.

(c) Sustainable Development Goals

Audit Observation	Recommendation	Comments of the Accounting Officer
The Pradeshiya Sabha was aware of the United Nations' Sustainable Development Agenda - 2030 "but did not identify the Sustainable Development Goals and Objectives.	Goals and objectives need to be identified and established.	Not answered.

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
----- 24 shops in Kekirihena weekly market had been contracted out in 2015 and 2017 and handed over to the lessees but no action had been taken to collect the outstanding shop rent and fines of Rs. 2,165,428 due by December 31 of the year under review.	----- Action should be taken to recover arrears and fines.	----- Although the Maha Oya Kekirihena stalls were leased out, it has not been opened for trade yet, so it was decided to write-off the outstanding rent amount of Rs.1,905,733 as at 12.09.2019 by the monthly meeting held on 12.09.2019. Although the decision was sent to the Local Government Commissioner on 28.10.2019 by the Provincial Local Government Commissioner seeking approval to deduct the amount, no reply has been received to that letter so far.

3.3 Human Resource Management

Audit Observation	Recommendation	Comments of the Accounting Officer
----- (a) As on 31 December 2019, there were 07 vacancies in 06 approved staff posts.	----- Staff vacancies need to be filled.	----- Accepted.
(b) Employee loan balance of Rs.25,359 due from 06 employees of the Sabha who were transferred and terminated their services from 2011 to 2015, had not been recovered by 31 December 2019.	Action should be taken to recover unpaid employee loans.	Letters have been sent to 06 officers to recover the amount of Rs. 25,359.00 due from them and they have not taken action to pay that amount.
(c) During the period from 1996 to 2014, the Council had recruited 04 road workers and 03 health workers on a permanent basis and had been deployed for other duties instead of being assigned to the required duties.	Recruited workers should be employed in the duties relevant to the post.	Due to the inadequacy of the staff of the Mahaoya Pradeshiya Sabha, the present officers had to be deployed for other duties instead of being deploying in the permanent post.

3.4 Operational Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Although the Central Environmental Authority had paid Rs. 828,115 to the Ampara Water Supply and Drainage Board in 2017 for obtaining water for the compost yard, Due to the non-availability of water supply by the end of the year under review, the water required for the composting process at the site had to be transported by the bowser trucks owned by the sabha and for that, an additional expense had to be incurred.	----- Urgent action should be taken to obtain water supply for the compost yard.	----- The Central Environmental Authority (CEA) provided funds for the construction of a tube well for the compost yard and the Water Supply and Drainage Board officials who visited the site stated that it was not appropriate to construct a tube well at the site and due to this the Water Supply and Drainage Board has been requested in writing several times to provide piped water to the site, but no action has been taken so far.

3.5 Assets Management

3.5.1 Assets not Acquired

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) No action had been taken to take over the ownership of 06 vehicles and machinery used by the Sabha.	Ownership of vehicles and machinery should be transferred to the Sabha.	Accepted. Action has been taken to send a letter to the Hon. Council for obtaining the approval of the Council regarding the acquisition of ownership of the relevant vehicles and machinery.
(b) 36 plots of land used for various purposes of the Sabha had not been taken over.	The legal ownership of the land must be taken over.	Requests have been made for the acquisition of all lands belonging to the Pradeshiya Sabha.

3.5.2 Idled and Under Utilized Assets

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Two usable motorcycles have been idle for about 10 years without using.	Vehicles must be used.	Cannot be utilized due to lack of documents required to obtain revenue licenses and insurance certificates.

3.5.3 Vehicle Utilization

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
No action had been taken to obtain revenue licenses for 02 vehicles by the end of 2019.	Action must be taken to obtain a revenue license.	Accepted. In the future, action will be taken to obtain.

3.6 Procurement

Procurement Plan

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
A procurement plan had not been prepared for the year under review.	A procurement plan should be prepared for each year.	A procurement plan for the year 2020 has been prepared.