

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

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

Financial Statements for the year under review had been submitted to Auditor General on 19 May 2015 while Financial Statements relating to the preceding year had been submitted on 24 September 2014.

**1.2 Qualified Opinion**

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Morawewa Pradeshiya Sabha as at 31 December 2014 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Deficiencies**

Following accounting deficiencies are observed.

- (a) Staff Loans balance of Rs.639,453 as at 31 December 2014 according to the staff Loans Register had been shown as Rs.326,493 in the financial statements understating the staff loans in a sum of Rs.312,960.
- (b) Although advances granted by the Sabha during past years had been settled, a negative balance of Rs.221,981 had been shown as unsettled advances in the Balance sheet since the year 2012.
- (c) Although there is no any investment made in Fixed Deposits belongs to the Sabha, a negative balance of Rs.195,838 had been shown in the Balance sheet since the year 2012.
- (d) Court Fines Receivable amounting to Rs.2,491,400 during the year under review had been shown as Rs.7,226,850 in the Revenue and Expenditure account for the year. Due to that, revenue for the year under review had been overstated in a sum of Rs.4,735,450.
- (a) The value of the Cab Vehicle amounting to Rs.6,390,000 received to the Sabha during the year under review had not been accounted.
- (b) Revenue Receivable totalling Rs.93,400 for hiring out the JCB Machine during the years 2013 and 2014 had not been accounted.

### 1.3.2 Suspense Account

Suspense Account balance of Rs.7,864,759 which was being brought forward since the year 2011 had been shown under liabilities in the Balance Sheet without action being taken to settle it.

### 1.3.3 Lack of Evidence for Audit

Items of accounts valued at Rs.49,991,963 could not be satisfactorily vouched in audit, due to non-submission of required information to audit.

### 1.3.4 Non-compliance with laws, rules, regulations etc.

Instances of non-compliance with laws, rules, regulations and directions observed in audit are shown below.

Reference to laws, rules, regulations etc. -----	Non-compliance -----
(a) Circular No. 41/90 dated 10 October 1990 of the Secretary to the Ministry of Local Government, and Home Affairs	Although it is required to test the fuel consumption of vehicles once in every months such action had not been taken with regard to 05 vehicles belong to the Sabah.
(b) Paragraph 3 of the Circular No. 1980/22 of the Commissioner of Local Government	An age analysis had not been prepared relating to arrears of revenue.

## 2. Financial Review

### 2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabah for the year ended 31 December 2014 amounted to Rs.12,255,867 as against the excess of recurrent expenditure over revenue for the preceding year amounted to Rs.2,652,482,.

### 2.2 Revenue Administration

#### 2.2.1 Performance in Revenue Collection

Information relating to estimated revenue, actual revenue and arrears of revenue for the year under review as submitted by the Chairman is given below.

Item of Revenue -----	Estimated Revenue -----	Actual Revenue -----	Accumulated arrears as at 31 December 2013 -----
	Rs.000	Rs.000	Rs.000
Rates and Taxes	323	25	--
Lease Rent	1,090	629	46
License Fees	238	176	--
Other Revenue	4,830	4,430	--

### **2.2.2 Court Fines**

Action had not been taken to obtain Court Fines Receivable amounting to Rs.5,178,334 for the years 2013 and 2014 from the Chief Secretary of the Eastern Provincial Council up to 11 August 2015, date of audit.

## **3. Operating Review**

### **3.1 Management Inefficiencies**

Following observations are made.

- (a) Necessary action had not been taken to repair 06 categories of goods, to remove 19 categories of goods and to destroy 33 categories of goods as recommended in the Report of the Board of Survey conducted on 11 August 2015.
- (b) Action had not been taken to pay a sum of Rs.3,952,391 being loan amount and interest payable as at 30 July 2015 for the loan of Rs.9,520,000 obtained in May 2013, from the Local Loans and Development Fund, to purchase a JCB Machine, to be paid and settled in 60 monthly installments.
- (c) A highly damaged Cab Vehicle belongs to the Office of the Chief Secretary to the Eastern Province set aside due to an accident, had been used by the Sabah having spent a sum of Rs.1.7 million on 21 May 2012. However, action had not been taken to get it transferred to the Sabah up to 11 August 2015, date of audit.
- (d) Although a sum of Rs.237,100 had been paid on 15 February 2013 for Wi-Fi Internet Facility, communication connection had not been provided. By now internet facility has been obtained through a router and therefore the expenditure incurred for internet facility had been a fruitless expenditure.

### **3.2 Contract Administration**

#### **3.2.1 Construction of Ethabendiwewa Main Road**

Contract Agreements had been signed on 31 May 2012, for tarring after laying rubble to a length of 2 km. of this road for a sum of Rs.18,046,600 (without VAT) on the basis of finalizing the construction works within three months. Following observations are made in this connection.

- (a) Contract had been stopped on 08 October 2012 due to unsatisfactory level of performance after paying a sum of Rs.2,954,923 and agreements had been signed on 13 March 2016 with another contractor for a sum of Rs.19,577,095 (without VAT) on the basis of finalizing the construction works within 06 months. An additional sum of Rs.4,485,418 had to be paid and it had not been possible to complete the construction works within the specified period due to failure in selecting the most suitable contractor in evaluation process of the Procurement Procedure.

- (b) Action had not been taken to cash the Performance Bond before expiry period of the bond during the time of not carrying out the work satisfactorily by the contractor. Due to that, bond value of Rs.902,330 had been lost to the Sabah.
- (c) At the physical inspection carried out on 11 August 2015 it was observed that in certain places between 1+250 and 1+450, the concrete mixture used had not been up to specified standard and thickness of the concrete had been less than 6 inches. Due that, it had become problem with regard to long term durability to the extent of 30 cubic meters.
- (d) Action had not been taken to retain and remit Industrial Certification Fund Tax (CIGFL) amounting to Rs.48,164 relating to the sum of Rs.19,265,499 paid to the contractor, in terms of Part III of the Finance Act No. 03 of 2005 as amended by Finance Amendment Acts No.13 of 2007 and No. 18 of 2007 to the Director General of Inland Revenue.

### **3.2.2 Construction of a Library for the Pradeshiya Sabah.**

Contract Agreements had been signed on 22 January 2013, for the construction of first floor of the two storied building for the library through the Deyata Kirula Project for a sum of Rs.7,048,316 (without VAT) on the basis of finalizing the construction works within three months. Following observations are made in this connection.

- (a) Although 04 iron wires of 16 mm and 04 iron wires of 12 mm should be used for each post relating to the 21 posts to be utilized for the construction of the first floor of the two storied building according to the approved plan, 21 concrete posts made using only 04 wires of 16mm and 02 wires of 12mm for each had been used for the construction. Accordingly, 77 kg of iron wires had not been used causing a problem with regard to long term durability of the building.
- (b) Although a sum of Rs.18,000 had been paid to the contractor for fixing a name board for the library, it had not been fixed.

### **3.3. Human Resource Management**

Approved and Actual Cadre Information relating to the approved and actual Cadre of the Sabah as at 31 December 2014 is shown below.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
Executive Level	01	01	--
Secondary Level	14	06	08
Tertiary Level	16	14	02
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Total	31	21	10
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Following observations are made.

- (a) While action had not taken up to 11 August 2015, to appoint a suitable person to the post of Secretary to the Pradeshiya Sabha that had been vacant since April 2014 a Secretary had been appointed on acting basis.
- (b) Action had not been taken up to the date of audit, to fill the vacancies in the posts of Librarian, Development Officer, Driver and Work Supervisor.

**04. Systems and Controls**

Special attention is needed in the following areas of controls.

- (a) Accounting
- (b) Budgetary Control
- (c) Revenue Administration
- (d) Assets Management
- (e) Contract Administration
- (f) Human Resources Control