

Morawewa Pradeshiya Sabha
Trincomalee District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2019 had been submitted to audit on 07 June 2020 and the summarized Auditor General's Report relating to that was sent to the Chairman on 27 August 2020 and detailed management report was sent on 27 August 2020.

1.2 Qualified Opinion

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 2019 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 -----
(i)	It was omitted from receivable account of Rs.8,444,805 to be received from the President's Fund for 07 construction contracts and a sum of Rs. 8,444,805 payable for those contracts had also been omitted from the accounts. Further, that value was excluded from capital gains and capital expenditure	Should be adjusted to the accounts.	Action will be taken to adjust in preparing the final accounts for 2020.
(ii)	The stamp duty income of Rs. 78,110 received for the year 2018 had been account for as the revenue of the year under review.	All income and expenditure related to the period should be adjusted while preparing the accounts.	Action will be taken to adjust in preparing the final accounts for 2020.
(iii)	The shop rent income for the year under review was overstated by Rs.247,795.	Should be adjusted to the accounts.	Since the rent due for the previous year has been recorded as rent for the year 2019, I will correct it in the final accounts of 2020.

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| (iv) | The total amount of Rs. 160,714 received for the damage to the water pipes had been kept in the deposit account. | Should be adjusted to the accounts. | Action will be taken to adjust in preparing the final accounts for 2020. |
| (v) | Deposit of Rs. 147,861 setoff for the shop rent had not been credited to income | Should be account as income. | Missed in accounting. Action will be taken to adjust in preparing the final accounts for 2020. |
| (vi) | 17 items valued at Rs. 607,500 which could not be shown under fixed assets were listed under fixed assets. | Should be adjusted to the accounts for the coming year. | Action will be taken to adjust in preparing the final accounts for 2020. |
| (vii) | While the sum of interest and loan installments payable to the Local Loan Development Fund is shown under Debt Capital, the loan interest amount was again stated as Rs. 362,854 under the current liabilities. | Should be adjusted to the accounts. | When further search is done and if double-accounted, I will make adjustments when finalizing accounts for 2020. |

(b) Un-reconciled Accounts

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
According to the sundry deposit ledgers its balance was Rs. 694,894 but according to the balance sheet it was Rs.1,286,344. Accordingly, there was a difference of Rs. 591,450.	The correct deposit balance should be submitted with the accounts.	Action will be taken to re-check and to remove the excess deposit amount.

(c) Suspense Account

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
The credit balance of suspense account amounting to Rs. 7,864,759 continuing from the year 2011 had been shown under liabilities without taking action to settle.	Action must be taken to settle.	It is not possible to identify exactly what the suspense account credit balance is. I will try to settle in the future.

(d) **Lack of Evidence for Audit**

Audit Observation	Recommendation	Comments of the Accounting Officer
Due to non-submission of detailed schedules and age analysis, the assets balances of Rs. 94,035,781 could not be satisfactorily verified during the audit.	Documents should be prepared and duly updated annually. Age analysis should be prepared and presented.	Asset scheduling has begun. Correct documentation can be maintained in the future.

(e) **Accounts Receivables**

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) The receivable amount of Rs.950,536 due from the revenue debtors had been carried forward for more than 10 years without settlement.	Action must be taken to settle.	It is not possible to identify exactly what the revenue debtor balance is. I will try to settle in the future.
(ii) The Advance amount of Rs.1,826,485 had been carried forward from the year 2017 without settlement.	Action must be taken to settle.	Not possible to identify exactly. I will try to settle in the future.

1.4 **Non-Compliance**

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

Reference to Laws, Rules, Regulations and Management decisions	Non-Compliance	Recommendation	Comments of the Accounting Officer
(a) Pradeshiya Sabha Act No.15 of 1987			
(i) Section 24	Roads had not been inventoried and gazette.	Action should be taken to gazette the road inventory.	The inventory is being prepared. Arrangements are being made to gazette at the end of this year.

(ii)	Section 159	No action had been taken to recover the arrears income of Rs. 2,771,241 due at the end of the year under review.	Action should be taken to recover the arrears without delay.	A portion has been recovered and steps have been taken to recover the full amount.
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(b) Pradeshiya Sabha Regulations (Finance and Administration) of 1988

(i)	Regulation 217	A fixed assets register had not been maintained in an updated manner.	A fixed asset register should be updated and maintained.	A fixed asset register is maintained and has not been updated. I will correct it in the future.
(ii)	Regulation 218	All land and buildings were not surveyed every year.	Land and buildings should be surveyed annually.	Arrangements have been made to conduct a survey. I will do the right thing from next year.

(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

(i)	Financial Regulations 571	General deposits of Rs. 1,079,630 for more than 02 years had not been dealt with.	Must comply with Financial Regulations.	Steps have been taken to comply with the financial regulations regarding those deposits. I will correct it before the end of 2020.
(ii)	Financial Regulations 1645 (b) and 1646	The running charts of 05 vehicles had not been submitted to the Audit.	Must comply with Financial Regulations.	This is due to the negligence of the officials. Arrangements have been made to present it correctly in the future.

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the recurrent expenditure over revenue for the year ended 31 December 2019 amounted to Rs. 686,205 against with the revenue over recurrent expenditure of the preceding year amounted to Rs.324,795.

2.2 Revenue Administration

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

Details of Estimated Revenue, Billed Revenue, Collected Revenue and Deficit Revenue for the year under review and for the previous year are as follows.

Revenue Source	2018				2019			
	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
Rent	5,360	2,408	2,183	225	1,330	1,105	1,064	129
License Fee	50	166	166	-	300	171	169	18
Other Revenue	3,571	3,569	3,569	-	5,300	4,667	2,445	2,508
Total	<u>8,981</u>	<u>6,143</u>	<u>5,918</u>	<u>225</u>	<u>6,930</u>	<u>5,943</u>	<u>3,678</u>	<u>2,655</u>

2.2.2 Shop Rent

Audit Observation

Shop rental arrears was Rs. 129,928 at the end of the year under review and out of which Rs.112,466 was the arrears for the last year.

Recommendation

The arrears should be recovered promptly.

Comments of the Accounting Officer

Action will be taken to settle in the future.

2.2.3 Vehicle Income

Audit Observation

The Sabha was due to collect vehicle rent income of Rs. 567,680 as at 31 December 2019.

Recommendation

Action should be taken to recover the arrears income.

Comments of the Accounting Officer

Arrangements have been made to recover. Part of this has already been recovered.

2.2.4 Courts Fines

Audit Observation	Recommendation	Comments of the Accounting Officer
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The Sabha was due to collect courts fine of Rs. 2,055,133 as at 31 December 2019.	Action should be taken to recover the arrears without delay.	Arrangements have been made to recover. Part has already been recovered.

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-Laws

Audit Observation	Recommendation	Comments of the Accounting Officer
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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 these special matters had not been imposed even by 31 December 2019.	By-laws should be approved imposed.	Six by-laws have been approved and sent. Final approval has not yet been received.

(b) Action Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
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An action plan for the year 2019 had not been prepared.	Annual action plan should be prepared.	Had been prepared from the year 2020.

(c) **Sustainable Development Goals**

Audit Observation	Recommendation	Comments of the Accounting Officer
The Sabha did not identify the Sustainable Development Goals, Targets and the measurements contained in the Sustainable Development Act No. 19 of 2017 in the year under review.	Sustainable development project should be implemented.	Due to the current economic situation of the Council, the Council does not have sufficient funds to carry out any program on Sustainable Development Goals and Criteria.

3.2 Human Resource Management

3.2.1 Approved and actual Cadre

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) There was a shortage of 08 officers in 07 posts existed for more than 05 years.	Action should be taken to fill the vacancies.	This situation has arisen due to the fact that no action has been taken to recruit / fill the vacancies so far despite repeated requests.

3.2.2 Employee Loans

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Employee loan due from four employees who left the service is Rs.100,145.	Action should be taken to recover the outstanding loan balance.	The residencies of the 04 employees could not be identified yet. Therefore, it has not been possible to recover this money. I will take action to get proper approval and settle in the future.

3.3 Operational Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
Out of 57 garbage bins purchased for Rs. 510,000, 24 bins were idle and kept in the Sabha without using for the relevant purpose.	Needs should be identified and dustbins should be distributed without delay.	Not Answered.

3.4 Assets Management

3.4.1 Assets not Transfers

Audit Observation

Recommendation

Comments of the Accounting Officer

The Sabha had constructed buildings, playgrounds, public wells, community tanks, water tanks and public markets worth Rs. 55,520,622 as at 31 December 2019 on lands belonging to the Divisional Secretariat but had not taken over the legal ownership of these lands.

Action should be taken to take over the ownership of the lands to the Sabha.

The relevant lands are being taken over by the Sabha.

3.4.2 Under Utilized Assets

Audit Observation

Recommendation

Comments of the Accounting Officer

(a) The cab which had been out of use for 6 years, was parked in the premises without being disposed of or repaired.

Should be disposed of or repaired and used as appropriate.

The owner of this vehicle cannot be identified accurately. Arrangements have been made to hand over to the Office of the Deputy Chief Secretary (Engineering Services).

(b) 02 vehicles belonging to the Sabha were kept idle in the Sabha premises without any repairs.

Action should be taken to repair and use.

Repair of 02 vehicles has been started. Repairs were delayed due to financial difficulties.

3.5 Procurement

3.5.1 Procurement Plan

Audit Observation

Recommendation

Comments of the Accounting Officer

(a) A procurement plan had not been prepared.

a procurement plan should be prepared

Not prepared due to lack of knowledge of the officers. Prepared for the year 2020.

3.6 Vehicle Administration

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Revenue licenses for 04 vehicles had not been obtained.	Revenue licenses should be obtained in the relevant years.	Accepted. Action will be taken to correct in the future.
(b) Insurance coverage had not been obtained for three motor vehicles which were in running condition.	Insurance coverage should be obtained in the relevant years.	Accepted. Action will be taken to obtain insurance coverage in the future.

3.7 Contract Administration

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) According to Procurement Guidelines 3.9.1, although the contract awarded to the unions should be within the union area, total of 04 contracts were awarded outside the Union area.	Construction contracts should not be awarded to unions outside the union territory.	Such contracts were awarded considering the efficiency and functionality of the unions. I will not do so in the future.
(b) According to the section 3.1 of the circular No. 1/2012 of the Ministry of Finance and Planning dated 05 January 2012, contracts had awarded contracts to societies with a savings bank balance between Rs.99,474 to Rs.488,458 without such a financial feasibility test.	Contracts should be awarded after checking the financial viability in accordance with the circulars.	Those contracts were awarded on the basis of efficiency and functionality. In the future, I will take steps to properly inspect the financial situation and award contracts.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
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Although an Internal Audit Unit had been established it had not been activated.	Action should be taken to activate the Internal Audit Unit.	Accepted. An Internal Audit Unit has established. Not functional. I will take action to implement it properly in the future.

4.2 **Audit and Management Committee**

Audit Observation	Recommendation	Comments of the Accounting Officer
----- The Audit and Management Committee had not been conducted.	----- Audit and Management Committee meetings should be held.	----- It has met three times in 2019. Auditors are not invited. I will do it right in the future.