

Muthur 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 14 February 2020 and the summarized Auditor General's Report relating to the year under review was sent to the Chairman on 08 July 2020 and the detailed management report sent on 14 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 Muthur Pradeshiya Sabha as at 31 December 2019 and its financial performance and the cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

(a) Accounting Deficiencies

Following Observations are made.

	Audit Observation	Recommendation	Comments of the Accounting Officer
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(i)	According to the inventory of stationery and electricity in the Council for the year under review, the stock was Rs.181,020 and Rs.49,845 respectively, but according to the financial statements it showed as Rs.487,829 and Rs.67,685.	According to the documents, action should be taken to bring the stock into financial statements.	This error will be corrected in the 2020 accounts.
(ii)	According to the financial statements the arrears rates and taxes were Rs. 6,234,228, but it was Rs. 6,307,745 as the arrears statement and there was a difference of Rs.73,519 between this two.	Accurate rates and taxes should be calculated and included in the financial statements.	This will be rectified before the 2020 reports are prepared.

(b) Lack of Evidence for Audit

Following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
The advance register regarding the advance balance of Rs.11,129,351 which were before the year 2014, had not been submitted for audit. Due to this the balance could not be verified during the audit.	Action should be taken to settle the advance balance.	In the near future, action will be taken to settle this balance.

1.4 Non-Compliances

1.4.1 Non-compliances with Laws, Rules, Regulations and Management Decisions

The following are instances of non-compliance with Laws, rules, regulations and management decisions.

Reference to Laws, Rules, Regulations and Management Decisions	Non-Compliances	Recommendation	Comments of the Accounting Officer
(a) Appendix X of the Pradeshiya Sabhas, Financial and Administrative Rules 1988			
(i) Section 191	Although it was stated that certified copies should be submitted for audit, copies of the 12 committees reports for the year under review had not been submitted for audit.	Action should be taken to submit copies of the monthly reports of the Committees to the Audit.	Meetings will be held monthly and will be presented to you within 15 days.
(ii) Section 193	Actual Revenue and Expenditure Details for the year under review were not compared to the budget plan and a	Reports containing explanations for variations should be prepared and submitted to the	Details of actual income and expenditure for the year will be sent to you within 30 days of the end of the

statement containing audit. explanations for the variation was not submitted to the audit.

financial year, with clarifications for variations compared with the budget.

- (b) Section 203 of the Motor Traffic Act Revenue licenses for the 13 vehicles used by the Sabha were not obtained in the year under review. Revenue licenses must be obtained for all vehicles. Revenue licenses have been obtained for all vehicles that are in running condition.
- (c) Paragraph 3.1 of Circular No. 30/2016 of the Ministry of Public Administration and Management dated 29 December 2016 Fuel testing had not been carried out for 21 vehicles used by the Sabha. Appropriate steps should be taken to obtain the report. All driving vehicles owned by the Sabha have been inspected by the Fuel Inspector. But the report from them has not been received so far.

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the revenue over recurrent expenditure for the year ended 31 December 2019 amounted to Rs. 24,896,945 when compared with the revenue over recurrent expenditure of the preceding year amounted to Rs. 12,170,412.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected 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 Item	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.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Rates and Taxes	1,217	1,217	929	6,234	850	850	422	6,213
Rental	20,590	13,997	14,327	6,262	17,295	14,512	14,014	3,281
License Fee	1,901	1,438	1,156	744	1,398	1,369	1,180	218
Total	<u>23,708</u>	<u>16,652</u>	<u>16,412</u>	<u>13,240</u>	<u>19,543</u>	<u>16,713</u>	<u>15,616</u>	<u>9,712</u>

2.2.2 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
Rates and Taxes amounting to Rs.6,234,228 had not been levied on lands and constructed houses, buildings etc. in the Sabha area at the end of the year under review.	More attention should be paid to the relevant subjects and action should be taken to recover the arrears of Rates and Taxes.	At present the arrears of assessment taxes for the previous year are being collected through the employees of our Sabha.

2.2.3 Bus Stand Shop Rental Income

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) Although, agreements must be signed and stalls should be leased but out of the above 40 stalls, only 34 stalls were leased out for long term, without specifying the lease term.	Action must be taken to sign the agreement for shops that have not signed the agreement.	Steps have been taken to sign agreements for 06 shops which have not signed agreements.
(ii) With regard to the stalls provided, the Sabha had not taken action to recover the shop rent arrears of Rs.922,250 due from 01 January 2014 to the audit date of 31 December 2019.	Action should be taken to recover the rent arrears.	Arrears are being collected in installments and legal action will be taken against those who have not paid.
(iii) According to paragraph 2 of the agreement, the rent should be increased by 10% per annum from 2016, but this increase has not yet been made.	Agreements should be signed with an increase of 10%.	Arrangements have been made to increase the value by 10% per annum when the contracts are renewed to all in the future and to sign the agreements and collect the arrears in full.

2.2.4 Renting shop line at Nawalawadi Junction

Audit Observation	Recommendation	Comments of the Accounting Officer
Although the arrears rent from office rooms and shop line at Nawalawadi Junction are 815,808	Arrears rent collection should be done.	The lease agreement period for the shop line at Nawalawadi Junction ends on 30.11.2019.

and 9,900 up to the year under review, these arrears have not been recovered as of the audit date, 24 February 2020.

Bid guarantee for these shops will be transferred to lease revenue and settled. Also, the lease period for the shop line under the office complex will end in 2022. Related bid deposits are also included. It will be transferred to a security guarantee.

2.2.5 Market Stall Revenue

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) The agreement reached when the council leased 82 shops 35 years ago had not been renewed since.	Steps should be taken to renew agreements.	As the existing agreements are not renewed, they will be renewed expeditiously.
(b) Although these shops are in arrears of Rs. 1,509,427 up to the year under review, The arrears of rent had not been recovered even by the audit date of 24 February 2020.	Action should be taken to recover the arrears of rent. Further, the rent should be collected in such a way that there are no arrears in the future.	As at 31.12.2019, the outstanding amount of Rs.310,935.00 had been recovered. Although this amount may seem like a small amount in comparison, action will be taken to recover all fees within a reasonable period of time. Also, legal action will be taken against shops which have not paid their dues on time.
(c) Although, the current rental value in this area is at least Rs.3,000 to Rs.5,000, the rent value has been decided in the range of Rs.150 to Rs.500 which was decided by the Sabha 35 years ago.	Obtain valuation department reports and act accordingly.	Revenue supervisors in our office have been collecting information on the shops, determining a temporary rent by area and charging rent.
(d) 15 stall tenants had sub-leased the stalls to a monthly rental of Rs. 700 to Rs. 4,500.	The Sabha must take appropriate action.	All shops will be inspected and action will be taken.

2.2.6 Leasing Meat Stalls

Audit Observation	Recommendation	Comments of the Accounting Officer
Meat shop lessees, in the event of defaulting lease, as this process is followed at the end of the year without recovering the lease from the security the deposits, the arrears were presented in the financial statements as Rs.7,279,598 without recovering. Further, as the Sabha did not submit the age analysis for these arrears to the audit, the balance could not be confirmed at the audit.	Necessary action should be taken to recover the arrears.	Although the opening balance of meat stalls arrears in 2019 were Rs.8,297,399, the current arrears for the year under review are Rs. 7,279,598. Also, the lease amount for the year 2019 had been fully recovered.

2.2.7 Stamp Duty

Audit Observation	Recommendation	Comments of the Accounting Officer
No action had been taken to calculate the stamp duty due and recover it from the Registrar General's Department by the end of the year under review.	Action should be taken to recover stamp duty.	Details of stamp duty for the months from January to April to year 2019 are received. Steps have been taken to obtain details of other months from the Registrar General. As soon as all the details are received, they will be charged as appropriate.

3. Operational Review

3.1 Performance

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) By-Laws In terms of Section 126 of the Pradeshiya Sabha Act No. 15 of 1987, no action had been taken to prepare and implement the by-laws on 20 main matters for the revenue and regularization of the Pradeshiya Sabha.	By-laws should be prepared and acted upon.	Approval has not yet been obtained as the Provincial Councils have been dissolved at this time.

(b) Failure to Achieve Expected Results

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
The Maternal and Child Care Centre constructed with a cost of Rs.4,094,702 in the year 2017 under the financial assistance of the Pura Neguma Project in Sampur area was handed over to the Community Based Centre without being used for the relevant purpose.	When constructing buildings, appropriate performance reports should be prepared and action should be taken to construct the buildings.	The building will soon be converted into a revenue generating property for the activities of the Sabha.

(c) Abundant Projects

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(i) Although Rs. 9,100,789 has been spent to start 03 contracts in the year under review, the contracts had been abandoned without achieving the expected results by the audit date of 28.02.2020.	Steps should be taken to complete the construction of leisure gardens by themselves.	After the signing of the agreements for Asad Nagar and Thoppur Leisure Parks at the Office of the Local Government Commissioner, we were operating under the supervision of our office. Funds for this work were not provided to the relevant contractor and the project could not be continued and was halted. The Jinnah Community Centre Construction Project signed agreements through the Community Based Centre. Due to the subcontracting and non-payment of fees to the subcontractor, he had to suspend the project due to the financial crisis.

(ii)The construction of the Vallikkeni main road had been handed over to a community-based organization at a cost of Rs.1,926,960 but the contract was stopped halfway.	Appropriate action should be taken for the construction of the road.	The rest of the work on the road will be completed expeditiously through that continuous process.
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(d) Sustainable Development Goals

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
According to the Sustainable Development Goals Act No. 19 of 2017, its purpose and targets had not been identified by the Sabha. Furthermore, the Sustainable Development Programs Agenda to be achieved by 2030 had not been prepared.	Identify the sustainable development goals suitable for the organization and take action to initiate pilot programs accordingly.	At present, the goals of sustainable development are identified and action is taken accordingly.

3.2 Management Inefficiencies

Following observations are made.

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Even though a balance of Rs.55,351 has been in existence in one non-performing bank account for 12 years, no action has been taken to transfer the account to a profitable manner even by the audit date of 28 February 2020.	Appropriate action should be taken.	Action will be taken continuously.
(b) A sum of Rs.11,344 had been paid on 25 December 2016 to provide water connection facilities to three resettled beneficiaries in the Sampur area under the UNICEF Financial assistance, but so far, no water connections have been provided.	Action should be taken to provide water connection.	Efforts are being made to recover the payments made for the water connection. Also, when providing the water connection, arrangements will be made for a repay.

3.3 Human Resource Management

Employee Loan

Audit Observation	Recommendation	Comments of the Accounting Officer
The loan of Rs.102,620 given to a casual worker has been in arrears for 10 years.	Appropriate action should be taken.	With regard to the recovery of loan, action will be taken to obtain the necessary advice and write off. Also, the approval of the Sabha has been obtained in this regard.

3.4 Assets Management

3.4.1 Assets not Transferred the Ownership

Audit Observation	Recommendation	Comments of the Accounting Officer
Twelve vehicles donated by other institutions have been used by the Sabha for over 13 years but they have not been transferred to the name of the Sabha.	Action should be taken transfer in the name of the Sabha.	Letters have been sent to the Department of Motor Traffic by the letter No. MUPS / WP / RMP / 2017 dated 25.10.2017. These can be auctioned off only after obtaining the documents. But solutions for this are to be found soon.

3.4.2 Failure to Obtain Income from Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
A room in the council building in Thopur has been provided to operate a sub office of the Ceylon Electricity Board since 2006, to date, no action has been taken to sign the agreements and recover rental.	Agreements should be signed with the Ceylon Electricity Board to collect rent.	Immediate action will be taken after inspecting the relevant file regarding the building provided to the CEB in Thopur. I will inform you of the action to be taken at that time.

3.4.3 Idle Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
Even though, pickup vehicles owned by the Sabha, could be used after repaired, and it has been idled for over 02 years without repairing or selling it at auction.	Reports should be obtained and necessary action should be taken accordingly.	The Pickup was overseen by the Valuation Committee and the price was set for the public auction. However, its report has not yet been received. It will be dealt with as soon as it is received.

3.4.4 Annual Board of Survey

Following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
The committee that surveyed the goods in 2018 had ordered the sale of 04 tractors, 03 water bowsers, a waste disposal bowser and a motorcycle, but no action had been taken.	Reports should be obtained and acted upon.	04 tractors and 03 water bowsers identified by the Board of Survey have been inspected by motor vehicle inspectors to determine the minimum price. However, the pricing report was not received. Further action will be taken as soon as it is received.

3.5 Procurement

3.5.1 Procurement Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
The Sabha had not prepared a procurement plan for the year under review.	A procurement plan should be prepared for each year.	From the year 2020, it has been formally prepared and sent to the relevant people.

3.5.2 Construction Administration

(a) Construction of garbage tanks

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) The agreement signed for this purpose did not state the date of	Action should be taken to sign agreements.	The period of the agreement was not specified by mistake.

signing the agreement, the duration of the agreement, etc. Due to this, demurrages could not be charged.

Will be taken into consideration in the future.

(ii) Paint coatings, sand coating etc. amounted to Rs. 355,774 had not been completed till the audit date of 28 February 2020.

Action should be taken to complete.

In the future, action will be taken to ensure that such shortcomings do not occur.

(iii) As this work was not completed within the stipulated time frame, it was too late to get the required results out of the Rs. 826,174 spent so far.

The project should be completed and action should be taken to obtain its results.

Arrangements will be made to carry out activities commensurate with the relevant value in the future.

(b) Construction of Concrete Roads

Audit Observation

Recommendation

Comments of the Accounting Officer

Although the Council had constructed four concrete roads in 2019, the actual length of gravel could not be calculated as the length, width, height and size of the gravel laid on the roads were not mentioned in the bill.

When laying gravel, length, width and height should be mentioned in the quantity bill.

For a long time now, the same methodology has been in place, as we have been paying for gravel on roads implemented by projects such as the Sabha or NELSIP, as recommended by the Pilling measurement on the Quantity Bill.

(c) Failure to Confirm the Ownership of Lands

The following constructions had been carried out without confirming the ownership of the land.

Audit Observation

Recommendation

Comments of the Accounting Officer

(i) Thoppur Leisure Park

Once the ownership of the land is confirmed, the buildings should be constructed.

We will focus on this in the future.

(ii) Construction of Jinnah Community Based Center

Once the ownership of the land is confirmed, the buildings should be constructed.

We will focus on this in the future.