

Morawewa Pradeshiya Sabha - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Morawewa Pradeshiya Sabha including the financial statements for the year ended 31 December 2022 comprising the Statement of Statement of Balance sheet as at 31 December 2022, Income and Expenditure Account, , Cash Flow Statement for the year and significant accounting policies and other explanatory information was carried out, for the year then ended, under my direction in pursuance of provisions in Article 154 (1) of the constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987 and National Audit Act No.19 of 2018. My comments and observations which I consider should be report to parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Morawewa Pradeshiya Sabha as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Generally accepted Accounting Practices.

1.2 Basis for Qualified Opinion

I expressed qualified opinion on the matters described in paragraph 1.6 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Practices and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Pradeshiya Sabha's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Pradeshiya Sabha is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements.

1.4 Audit Scope (Responsibility of the Auditor for the audit of Financial Statements)

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercised professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of its internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Pradeshiya Sabha, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Pradeshiya Sabha has complied with applicable written law, or other general or special directions issued by the governing body of the Pradeshiya Sabha;
- Whether it has performed according to its powers, functions and duties; and
- Whether the resources of the Pradeshiya Sabha had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Report on Other Legal Requirements

National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

- (a) The financial statements of the Pradeshiya Sabha presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- (b) The financial statements presented includes all the recommendations made by me in the previous year, as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

1.6 Audit Observations on the preparation of Financial Statements

1.6.1 Accounting Deficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	The stamp duty of Rs. 323,620 received during the year under review For the years of 2019, 2020, 2021, had been accounted as an income of the year under review.	These errors will be corrected during the preparation of the final accounts in 2023.	Accounts should be prepared correctly.
(b)	The amount of Rs.300,000 received from the Eastern Local Government Department for the security camera system installed last year was accounted as income of the current year.	- Do -	- Do -
(c)	The amount of Rs.2,570,368 received for 03 contracts and 05 purchases of fixed assets in the previous year was accounted as income of the year, and the amount paid to contractors and suppliers was accounted as an expense of the year.	- Do -	- Do -
(d)	The amount of Rs.567,572 due from 265 customers related to 02 water projects was not shown in the accounts as arrears income.	- Do -	- Do -
(e)	During the year under review, the water bowser worth Rs.14,000,000 received from the Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government was not accounted for.	- Do -	- Do -
(f)	For the year under review, fixed deposit interest receivable amounting to Rs.50,465 had not been accounted for.	- Do -	- Do -
(g)	No provision was made for audit fees for the year under review and no allocation of Rs.13,800 and Rs.24,600 as audit fees was made for the years 2020 and 2021 respectively.	- Do -	- Do -
(h)	The value of the goods received as donations totaling Rs.197,340 was not accounted for.	- Do -	- Do -

1.6.2 Suspense Account

Audit Observation	Comments of the Sabha	Recommendation
The balance of Rs.7,864,759 in the suspense account which brought forward from the year 2011 was not settled.	In the 2011 final account, this balance was first recorded and has been recorded in every final account since then. Due to the lack of relevant information, it has not been possible to settle this. It will be settled immediately.	Arrangements should be made to settle the suspense account.

1.6.3 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
06 account balances worth Rs.106,558,098 as on 31st December of the year under review could not be satisfactorily audited due to non-submission of deeds, fixed asset registry, age analysis, advance registry and stock valuation reports.	There are problems with the preparation of documents they will be corrected in the future.	Documents containing correct information related to account subjects should be prepared.

1.7 Non- Compliances

Non-compliance with Laws, Rules, Regulations and Management Decisions etc...

Non-compliance with Laws, Rules, Regulations and Management Decisions etc. are as follows

Reference to Laws, Rules Regulations etc...	Non-compliance	Comments of the Sabha	Recommendation
(a) Pradeshiya Sabha Act No. 15 of 1987			
(i) Section 24	All the roads owned by the Sabha had not been identified and inventoried or gazetted.	Roads are inventoried but not updated. Once again, surveying activities of all roads are carried out and it will be gazetted after the completion of those activities.	All existing roads should be inventoried and gazetted.

(ii) Section 134	Developed areas within the Sabha area of authority had not been specifically identified, levied assessment and taxes.	Relevant steps are taken to impose new taxes on some identified areas.	Section 134 of the Pradeshiya Sabha Act should be followed.
(b) Section 16(2) of the National Audit Act No. 19 of 2018	The performance reports to be submitted along with the accounts had not been submitted by the Accounting officer.	Accept. It will be forwarded with next financial statements.	The National Audit Act No. 19 of 2018 should be followed.
(c) The Pradeshiya Sabha (Finance and Administration) Rules, 1988, published in Gazette No. 554/5, dated 17th April, 1989.		- Do -	Pradeshiya Sabha rules should be followed.
(i) Rule 193	Statements showing reasons for excess and deficits comparing the actual expenditure of the expenditure subjects with the budget and supplementary standard expenditure were not submitted with the accounts.		
(ii) Rule 218	The land and buildings costing Rs.60,508,564 were not surveyed.	Accept. The survey will be done annually from 2023.	- Do -
(d) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	The running charts and monthly summaries of 07 vehicles were not submitted to the audit.	Accept. The reports have been submitted monthly from the year 2023.	Financial regulations should be followed.
Financial Regulations 1645 (b) and 1646			

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2022 amounted to Rs.280,387 as against the excess of revenue over recurrent expenditure amounted to Rs.109,478 in the preceding year.

2.2 Revenue Administration

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

According to the information presented relating to Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below.

Source of Revenue	Estimated Revenue	2022			2021			
		Revenue billed	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Rent	5,100	2,882	3,193	469	1,330	2,421	2,041	780
License Fees	250	1,115	1,128	-	250	132	132	13
Other revenue	-	-	-	-	5,000	3,712	3,188	523
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Total	5,350	3,997	4,321	469	6,580	6,265	5,361	1,316
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2.2.2 Performance in Revenue Collection

Audit Observation

Comments of the Sabha

Recommendation

(a) Rent

At the end of the year under review, shop rents amounting to Rs.181,038 were in arrears, of which Rs.58,336 were due for previous years.

The concerned tenant has agreed to pay the arrears and if he does not do so, legal action will be taken.

Action should be taken to collect arrears as per the agreements.

(b) Court Fine and Stamp Fee

On December 31 of the year under review, court fines and stamp duty of Rs.84,500 and Rs.1,776,885 should have been received from the Chief Secretary of the Provincial Council and other authorities.

Even though formal requests have been made, the money is not released on time, so it remains as a deficit income, and It is planned to act correctly in the future.

Action should be taken to remit arrears income.

3. Operational Review

3.1 Operational Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
According to the financial statements in the year 2017, of the Sabha, the advances of Rs.1,826,485 given had not been settled.	Since no information can be found about these advances, it has been difficult to settle so far. Old files are being checked and relevant action can be taken within this year.	An inquiry should be made and the advance settled.

3.2 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Sabha	Recommendation
A JCB machine worth Rs. 16,695,000 owned by the Sabha has been idle for about 5 years now.	It is not possible to repair this vehicle because there is no suitable supplier to repair it and it is also a problem that the Sabha does not have financial allocations to bear the high cost of repairs.	Asset management should be formalized.

3.3 Human Resources Management

Audit Observation	Comments of the Sabha	Recommendation
(a) Considering the number of approved employees and the actual number of employees in the Sabha, it was revealed that there are 07 vacancies and 08 posts.	Requests have been made to the higher officials on many occasions to fill up the relevant vacancies and as the new recruitments have been suspended, it was an obstacle in filling up the vacancies. At present a Revenue Inspector has been attached on temporary basis for 2 days per week.	Action should be taken to fill the vacancies.
(b) As per Eastern Province Financial Circular PT/03/2021, 11 officers who were required to deposit security had not been kept a sufficient security.	The relevant officials will be arranged to deposit the security immediately.	It should be complied with Financial regulations and circulars.
(c) The loan balance of Rs.100,146, which was given to 04 officers many years ago, had not been recovered.	The information of the relevant persons is being collected and the loan balance is being recovered.	- Do -

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comments of the Sabha	Recommendation
The Pradeshiya Sabha had not prepared an annual action plan for the year 2022 and was engaged in activities based on the budget prepared for the year under review.	Arrangements have been made to prepare the action plan from the coming years.	An annual action plan should be prepared.

4.2 Internal Audit

Audit Observation	Comments of the Sabha	Recommendation
Although an internal auditor was appointed, records were not maintained in a formal manner.	From the year 2023, internal audits will be formally conducted.	Internal audits should be formalized.

4.3 Audit and management committee

Audit Observation	Comments of the Sabha	Recommendation
As per Circular No. DNA/2019(1), for the year ending 31st December 2022 only 01 Audit and Management Committees were held on 22nd September 2022.	From the year 2023, it will be done according to the instructions of the relevant circular.	Circulars should be followed.

4.4 Budgetary Control

Audit Observation	Comments of the Sabha	Recommendation
According to the budget prepared for the reviewed year, when comparing the estimated income and expenditure with the actual income and expenditure, variations were observed from 2.49 percent to 447.56 percent in 05 income subjects and 12.12 percent to 54.71 percent in 05 expenditure subjects, so It was observed that the budget was not used as an effective control tool.	That due to non-receipt of estimated revenues, there were variations in the income subjects and expenditure subjects.	Budget should be prepared realistically.

4.5 Sustainable Development Goals

Audit Observation

During the year under review, the Sabha had not gained a proper understanding of the identification of sustainable development objectives, goals and relevant criteria contained in the Sustainable Development Act No. 19 of 2017, but only two sustainable development performance indicators had been achieved.

Comments of the Sabha

Plans are being made to achieve all the Sustainable Development Goals.

Recommendation

Sustainable development goals, objectives and relevant criteria should be achieved.