

**Mannar Urban Council**

**Mannar District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year under review had been presented to audit on 28 March 2013 and the financial statements for the preceding year had been presented on 30 March 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Urban Council on 27 November 2013.

**1.2 Opinion**

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Mannar Urban Council had maintained proper accounting records for the year ended 31 December 2012 and except for the effects on the financial statements of the matters referred to in my report the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Mannar Urban Council as at 31 December 2012 and the financial results of its operations and cash flows for the year then ended.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Deficiencies**

Two items of accounts totalling Rs.25,423 had been understated in the financial statements.

**1.3.2 Lack of Evidence for Audit**

The balances of 06 items of accounts amounting to Rs.12,878,020 could not be satisfactorily vouched in audit due to non-rendition of necessary information to audit.

### **1.3.3 Non-compliances**

The following non-compliances with Laws, Rules and Regulations were observed.

- (a.) Trade Taxes had not been determined according to the annual value from time to time by the Council in terms of Urban Council Ordinance Chapter VII Section 159(1).
- (b.) Copies of Tender Board decisions had not been furnished to the Auditor General in terms of Financial Rule No.700(5).
- (c.) Copies of agreements had not been furnished to the Auditor General in terms of Financial Rule 702(3).

## **2. Financial and Operating Review**

### **2.1 Financial Results**

According to the financial statements presented the excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2012 amounted to Rs.7,504,104 as compared with the excess of revenue over recurrent expenditure amounted to Rs.3,341,208 for the preceding year.

### **2.2 Financial Control**

The following Financial control shortcomings were observed.

- (a.) The Budget had not been prepared on a realistic basis as there were material variances between the budgeted figures and the actuals.
- (b.) Although there had been an improvement in the Financial Results during the year under review according to the Financial Statements, action had not been taken to divert surplus income towards development work in the area of authority of the Councils through revision of the Budget

## **2.3 Revenue Administration**

### **2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue**

According to information furnished by the Council the estimated revenue, actual revenue and the arrears of revenue for the year under review are given below.

	Item of revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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		Rs.	Rs.	Rs.
(i.)	Rates and Taxes	1,450,000	582,341	3,670,899
(ii.)	Lease Rent	8,065,000	7,392,390	4,367,915
(iii.)	Licence Fees	3,255,500	3,718,595	-
(iv.)	Other Revenue	36,612,300	19,935,112	1,267,529

### **2.3.2 Rent**

Action had not been taken to recover the arrears of rent amounting to Rs.116,500 that had been outstanding over a long period.

### **2.3.3 Other Revenue**

- (a.) Action had not been taken to recover the arrears of Conservancy Charges amounting to Rs.185,931 that had been outstanding over five years as at the end of the year 2012.
- (b.) Action had not been taken to recover the arrears of Lease Rent amounting to Rs.525,418 that had been outstanding over a long period.

### **2.3.4 Stamp Fees**

Stamp fees amounting to Rs.26,789,126 were outstanding from the Registrar General as at 31 December 2012 follow up action had not been taken to recover these amounts.

#### **2.4 Idle and Underutilized Physical Resources**

Seven underutilized vehicles belonging to the Council had not been parked in a safe place.

#### **2.5 Uneconomic Transaction**

Following matters are made.

- (a.) Although salaries amounting to Rs.195,795 had been paid to the permanent watcher for the period January to September 2012, and additional payment had been made to a private security service for the same period out of the Council Fund.
- (b.) A sum of Rs.11,520 had been paid as minimum charge for street lamps in five locations, those lamps had been defunct.
- (c.) A sum of Rs.6,885 had been paid as a surcharge due to delay in settlement of electricity bills.

#### **2.6 Lapsed Deposits**

Time Lapsed Deposits amounting to Rs.1,502,097 had not been settled over a long period in terms of Financial Regulations No.571(2).

#### **2.7 Management Inefficiencies**

Following matters were observed.

- (a.) Action had not been taken to settle the sum of Rs.3,804,719 payable by the Council to the National Water Supply Board since the year 2008.
- (b.) Arrears of rent amounting to Rs.138,290 due from Corporative wholesale Establishment had not been recovered over period of more than six years.
- (c.) A Section of the Council Library building had been given on rent for a monthly rental of Rs.10,000. Action had not been taken to recover the rent due from 04 January 2012 on words.
- (d.) Action had not been taken to settle Advances totalling Rs.1,660,547 that had not been settled over a long period from 1984 to 2011.

**2.8 Performance**

Although a provision of Rs.5,000,000 had been allocated in the Budget for 15 Development projects, only 02 Projects had been implemented.

**2.9 Internal Audit**

An adequate internal audit had not been carried out with regard to the Council activities.

**3. Systems and Controls**

Special attention of the Sabha is needed in respect of the following areas of systems and controls.

- (a.) Revenue Collection
- (b.) Fixed Assets
- (c.) Accounting
- (d.) Human Resources Management
- (e.) Donation
- (f.) Vehicle Utilization
- (g.) Miscellaneous Deposit
- (h.) Budget