

Mannar Urban Council
Mannar District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been submitted to audit on 12 April 2016 and the financial statements for the preceding year had been submitted on 01 April 2015. The report of the Auditor General for the year under review was issued to the Secretary of the Council on 31 March 2017.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Mannar Urban Councils at 31 December 2015 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 Policies

The financial statements had not been prepared in compliance with the Public Sector Accounting Standards in terms of circular No. PL/05/PA/SFPSAS dated 27 January 2014 of the Secretary to the Ministry of Local Government and Provincial Councils.

1.3.2 Accounting Deficiencies

Even though arrears of lease Rs. 2,562,900 had been shown in the financial statement, it had been shown as Rs. 1,368,693 only in the registers. As result, asset had been overstated by Rs. 1,692,707 as receivable.

1.3.3 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with the following laws, rules, regulations and management decisions were observed in audit.

**Reference to Laws, Rules, Regulations
and Management Decisions etc**

Non – Compliances

(A) Financial Regulation of Democratic
Socialist Republic of Sri Lanka

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| i) | Financial Regulation 371 | Advance of Rs. 1,715,404 paid to officers of the Council and third parties for various activities in 23 instances had not been settled up to the date of reporting. |
| ii) | Financial Regulation 571 | Deposits Rs. 1,258,887 had been kept in the deposit accounts for a long period, without being taken action. |
| (B) | Urban Council's Law of Ordinance Section (255)160 | Rates and taxes Rs. 3,514,812 had not been recovered on lands and constructed houses and buildings situated in the area of the Urban Council up to the end of the year 2015 |
| (C) | Provincial Financial Rule,407:1, 407:2, 407:3 and section I of the Chapter IX of the Government Gazette of Democratic Socialist Republic of Sri Lanka (Extra Ordinary 1989/04/17) | Security money had not been obtained from the officer who is responsible for cash and store. |

2. Financial Review

2.1 Financial Results

According to the financial statements presented, operations of the Council for the year ended 31 December 2015 had resulted income over recurrent expenditure of Rs. 22,760,511 as compared against the income over recurrent expenditure of Rs. 20,403,814 for the preceding year, thus indicating an improvement of Rs. 2,356,697 in financial results. The main reasons for improvements were increases in recurrent grants and recurrent revenues for the Sabha.

2.2 Revenue Management

2.2.1 Performance of Revenue Collection

Significant difference of Rs. 6,425,920 had been observed between the estimated revenue and the actual revenue for the year under review.

2.2.2 Rents

The following observation are made.

- (a) Action had not been taken by the Council to recover monthly tax in respect of Telecommunication towers which was erected within the area of the Council.
- (b) Action had not been taken by the Council to recover arrears of rent Rs. 4,957,869.

2.2.3 Stamp Duty Fee

Meaningful action had not been taken by the Council to recover stamp duty outstanding of Rs. 31,508,924 receivable from the Registrar General for the period from the year 2007 to 2015.

3. Operating Review

Performance Report

Annual Performance report should be prepared by the Council in terms of the paragraph 1:4:1 of letter No. PF/R/2/2/3/5/(4) dated 10 March 2010 of Director General of Central Government. However, Performance report for the year under review had not been prepared by the Council up to 10 August 2016.

4. Accountability and Good Governance

4.1 Audit and Management Committee Meeting

According to the circular no. DMA/2009(1) dated 09 June 2009 of the Department of Audit and Management, it had been stated that Audit and Management Committee meeting should be conducted for the purpose strengthening internal control in 04 instances per year. However, no meeting had been conducted.

4.2 Asset Management

4.2.1 Vehicle Utilization

The following observations are made.

- (a) Daily running charts of the vehicle in respect of 15 vehicles which were used by the Urban Council had not been submitted to audit from June 2015 to December 2015.
- (a) 30 vehicles which were used by the Urban Council without being renewal of revenue tax and insurance cover for the under review year.

5. Systems and Controls

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

- (a) Collection of Revenue
- (b) Budgetary Control
- (c) Accounts Receivable
- (d) Fixed Deposits
- (e) Advance Register
- (f) Vote Ledger
- (g) Officer Loan Recovery Register