

Mannar Urban Council
Mannar District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2016 had been submitted to audit on 31 March 2017 and the financial statements for the preceding year had been submitted on 12 April 2016. The report of the Auditor General for the year under review was issued to the Secretary of the Council on 15 August 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 Council as at 31 December 2016 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 Deficiencies

The following matters were observed.

- (a) The value of the assets shown in the balance sheet as per financial statement of the Council had been overstated by Rs. 129,141 as compared with the value according to the detailed schedule of the assets.
- (b) As per financial statement of the year under review, the purchase value of non-reusable and unrepaired assets exceeding over 3 years amounting to Rs. 14,289,000 had been included to the assets account, thus fixed assets had been overstated by Rs. 14,289,000.
- (c) Provision had not been made for audit fee of the year under review.

1.3.2 Lack of Evidence for Audit

Evidences in respect of land and building of Rs. 264,900,000 and staff loan of Rs. 10,540,852 shown in the financial statements had not been submitted to audit.

1.3.3 Non-compliance with Laws, Regulations and Management Decisions

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

Reference to Laws, Rules and Regulations

Non-compliances

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

(i) Financial Regulation 371 and Provincial Financial Rule 219

An advance of Rs. 1,723,204 paid to officers and external parties of the Urban Council in 24 instances for various activities from the year 1984 to the year 2012 had not been settled up to date of reporting.

(ii) Financial Regulation 571

Deposits totalling Rs. 1,034,168 had been kept in the deposit accounts as unsettled balances for a long period continuously without being taken action.

(iii) Financial Regulation 104

A sum of Rs. 5,985 had been recovered from the driver of the Council according to the audit query,. However, the action taken against the officer had not been intimated to the audit until 25 June 2017.

(b) Chapter (255) 160 of Urban Council Ordinance

Rates and taxes totalling Rs. 4,144,365 had not been recovered on lands and constructed houses and buildings situated under the purview of the Urban Council up to the end of the year 2016.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the operations of the Council for the year ended 31 December 2016 had resulted in an excess of income over recurrent expenditure of Rs. 27,014,174 as compared with the corresponding excess of income over recurrent expenditure of Rs. 22,760,511 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Revenue Receivable

Significant differences were observed between the estimated revenue and the actual revenue for the year under review as presented by the Council.

Particulars of Revenue	Estimated Revenue	Actual Revenue	Arrears	Percentage
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	Rs.	Rs.	Rs.	
Rates and Taxes	1,260,000	1,301,281	41,281	3
Rents	19,521,400	24,981,997	5,460,597	28
License Fees	3,055,000	3,593,588	538,588	18
Charges for Services	1,750,000	1,733,134	(16,866)	(1)
Court fines and surcharges	310,000	573,630	263,630	85
Other Revenue	1,955,000	3,595,150	1,640,150	84
Government Grants	60,515,150	50,723,150	(9,792,000)	(16)
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Total	88,366,550	86,501,930	(1,864,620)	
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2.2.2 Stamp Fees

No actions had been taken by the Council to recover arrears of stamp duty fees totalling Rs. 32,490,400 receivable from the Registrar General for the period from the year 2007 to the year 2016.

2.2.3 Rents

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- (a) No actions had been taken by the Council to recover arrears of lease rents of Rs. 6,631,556 for the year 2016 up to 25 June 2017.
- (b) Audit test checks carried out regarding temporary pavement stalls given on rent during the festival season revealed that a sum of Rs. 253,149 had not been paid by the owners of 17 stalls. However, a sum of Rs. 18,750 only had been recovered from 04 persons up to 25 June 2017.

2.2.4 Other Revenue

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- (a) It was observed that although there were towers of 03 telecommunication institutions under the purview of the Council, approved tax of such telecommunication towers had not been recovered up to now.
- (b) No actions had been taken by the Council to recover monthly tax of particular towers of the telecommunication institutions situated under the purview of the Council from the commencement date to the audit date of 25 July 2017. As such, it was observed in audit that carelessness of Revenue Recovery Officers and the Secretary is mainly attributed to shortfalls in revenue receivable of the Council.
- (c) No actions had been taken by the Council to recover the arrears of rent of Roller, Tipper and JCB totalling Rs. 19,500 shown in the accounts of the Council up to the year 2016.

3. Operating Review

3.1 Management Weaknesses

- (a) Allocation of expenditures totalling Rs. 1,903,780 made by the budget for heads during the year under review had not been utilized ranging from 40 per cent to 100 per cent.
- (b) There were a Secretary, an Internal Auditor, subject Officers and Revenue Inspectors in the Council. However, there were shortfalls in recovering revenue due to administrative inefficiencies.
- (c) Although uniform allowances had been paid to the Revenue Inspectors and Office Employees of the Council, the usage of uniforms by the officers was at poor level.
- (d) There were 25 vehicles in the Mannar Urban Council which could not be used or repaired with the intention of being used. However, action had not been taken in this regard for over 03 years.
- (e) Drainages constructed for exhausting rain water had been handed over to the Mannar Urban Council by the UNOPS Organization since January 2016. However, such drainages had not been maintained properly.
- (f) There were balances to be rectified between Mannar Urban Council and Mannar Pradeshiya Sabha. However, no action had been taken to rectify those balances for over last 10 years.

3.2 Human Resource Management

It was observed that the vacancies of 08 staffs in the approved cadre of the Council had not been filled as at 31 December 2016, thus the works to be done by such staffs had been affected.

3.3 Solid Waste Management

- (a) Garbage collected within the area of the Council had not been separated and collected. As such, implementation of compost and recycling projects was at an unsatisfactory level.
- (b) Most of the garbage had been burnt without action being taken to compost all garbage collected within the area of the Council causing health hazard to the general public who live around the implementing place of the solid waste management of the Mannar Urban Council.
- (c) There were excesses in permanent and temporary cadre of sanitary labourers in the Mannar Urban Council. However, disposal of solid wastes within the area of the Council had not been properly done.

4. Good Governance and Accountability

4.1 Accounting Policies

- (a) The cash flow statement had not been presented with the final accounts.
- (b) Accounting policies adopted in preparing the financial statements had not been disclosed.

4.2 Operational Report

Although annual operational report should be prepared 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, operational report had not been prepared by the Council even as at 10 August 2016.

4.3 Internal Audit

- (a) Provincial audit had been conducted in two instances only during the year under review, thus internal control over the whole year could not be verified in audit.
- (b) 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 in 04 instances per year. However, meeting had not conducted in terms of the above mentioned circular.
- (c) According to the paragraph 08 of the Local Government Reforms Circular No. 03 dated 08 November 2005 of the Ministry of Provincial Councils and Local Authorities, an internal audit unit should be established in every local authority. It was observed that although an internal audit unit had been established in terms of above circular, it had not been implemented properly.

4.4 Assets Management

There were 10 vehicles of the Mannar Urban Council remaining unused within the period of 03 years which could have been made use of, if repaired. However, action had not been taken to repair them.

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) Advance Receivable
- (d) Solid Waste Management
- (e) Office Management