

Mannar Urban Council
Mannar District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to Audit on 29 March 2018 and the Report of the Auditor General on those financial statements had been forwarded to the Chairman of the Council on 11 September 2018.

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 2017 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

Accounting policies adopted in preparing the financial statements had not been disclosed in the financial statements.

1.3.2 Accounting Deficiencies

The following matters were observed.

- (a) According to the main ledger of the Council, a sum of Rs. 89,422,981 had been shown as movement of fixed assets in the year under review. However, it had been shown as Rs. 83,418,828 in the financial statements erroneously, thus net assets had been understated by Rs. 6,004,159 in the financial statements for the year under review.
- (b) Employee security deposit account balance of Rs. 92,500 had been debited to the accumulated fund, thus accumulated fund had been understated by Rs. 92,500 and employee security deposit account had been omitted in the financial statements.

1.3.3 Unreconciled Accounts

A difference of Rs. 228,381 was observed among the balances of three items shown in the financial statements as compared with balances of main ledger of the Council for the year under review.

1.3.4 Accounts Receivable and Payable

Accounts Payable

Three accruals totalling Rs. 2,576,048 had not been settled for the last 01 year to 10 years. However, reasons for it had not been made available to audit.

1.3.5 Lack of Evidence for Audit

Non-presentation of Information to Audit

Three transactions totalling Rs. 342.59 million could not be satisfactorily vouched or accepted in audit due to non-submission of land deeds and age analysis schedule of loans and confirmations.

1.3.6 Non-compliances

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

Instances of non-compliance with laws, rules, regulations and management decisions are given below.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliances
	Rs.	
(a) Urban Council Ordinance Section 160 of Chapter 255	10,734,156	No meaningful actions had been taken by the Council to recover arrears of rates and taxes.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 371	1,693,168	Advances paid to officers of the Council and external parties for various activities in 13 instances had not been settled for the last 05 year to 33 years.
(c) Ministry of Provincial Councils and Local Government Circular No. PL/15/5/seperation/u of 17 May 2017		A procedure had not been implemented to segregate and load garbage by the Council.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, operations of the Council for the year ended 31 December 2017 had resulted the revenue over recurrent expenditure of Rs. 50,079,801 as compared with the corresponding the revenue over recurrent expenditure of Rs. 27,014,174 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue, billed revenue, collected revenue and arrears of revenue presented relating to the year under review and the preceding year is given below.

Source of Revenue	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	17,080,000	-	18,324,367	16,093,904	1,260,000	-	1,301,281	4,494,798
(ii) Rentals	22,309,300	-	30,760,213	2,020,990	19,521,400	-	24,981,997	1,673,830
(iii) License Fees	1,010,000	-	1,240,841	-	3,055,000	-	3,593,588	-
(iv) Other Revenue	11,987,250	-	21,273,993	21,242,002	4,015,000	-	5,901,914	37,828,591

2.2.2 Rates and Taxes

No meaningful actions had been taken by the Council to recover arrears of rates and taxes totalling Rs. 6,614,797 for the last 1 year to 10 years.

2.2.3 Rentals

No meaningful actions had been taken by the Council to recover arrears of rents totalling Rs. 501,415 for the last 01 years to 10 years.

2.2.4 Stamp Fees

Stamp fees of Rs. 15,081,916 had to be received continuously from the Chief Secretary of the Northern Provincial Council as at 31 December 2017.

3. Operating Review

3.1 Performance

(a) Solid Waste Management

The following matters were observed.

- (i) Environmental license had not been obtained for the places of disposing garbage.
- (ii) Sanitary labourers had not been subjected to medical test annually.
- (iii) Garbage had not been categorized separately and collected.
- (iv) Training in respect of waste management had not been provided to officers.
- (v) An information and data system required to waste management had not been maintained.
- (vi) Solid wastes had been set on fire in order to damage the environment without being subjected to recycling.
- (vii) No actions had been taken to recover garbage tax for covering up the cost spent by the Council for waste management.

(b) Environmental Matters

The following matters were observed.

- (i) Mannar Keeri beach, marine park and town public toilet had not been maintained properly, thus health hazards was observed.
- (ii) No meaningful actions had been taken by the Council to modernize and maintain baobab tree and its environment at Pallimunai.

3.2 Management Inefficiencies

No meaningful actions had been taken by the Council in respect 17 complaints received from general public relating to fixing street lights in the year under review.

3.3 Human Resources Management

Employee Loan

No meaningful actions had been taken by the Council to recover arrears of staff loan totalling Rs. 509,409 recoverable from five officers who have retired and resigned from the post for the last 01 year to 06 years.

3.4 Overpayment

An overpayment of Rs. 196,892 had been paid to the contractor for repairing works of previous head office of the Council which carried out by using the Provincial Specific Development Grants totalling Rs. 5,240,866 in the year under review.

4. Accountability and Good Governance

4.1 Internal Audit

An internal audit unit had been established in order to carry out the activities of the Council efficiently through audit of its activities. However, recommendation and specifications provided by the examination of internal account carried out in the year under review had not been made available to audit.

4.2 Budgetary Control

There was an adverse variance of Rs. 7,982,141 between the budgeted expenditure and actual expenditure in the year under review.

5. Systems and Controls

Deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of control.

Systems	Deficiencies
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(a) Accounting	Main ledger had not been maintained properly.
(b) Revenue	No meaningful actions had been taken to assess the properties and recover assessment tax.
(c) Accounts receivable	Examination of revenue had not been carried out to recover government revenue and processing fees receivable to the Council.
(d) Assets	Title deeds of land and buildings, roads, cemeteries and slaughter house etc. belonging to the Council had not been documented.