

## **Musali Pradeshiya Sabha**

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### **Mannar District**

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#### **1. Financial Statements**

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##### **1.1 Presentation of Financial Statements**

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The financial statements for the year 2018 had been presented for audit on 27 March 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 30 May 2019 and 31 October 2019 respectively.

##### **1.2 Qualified Opinion**

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In my opinion, except for the effect of matters described in the basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Musali Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

##### **1.3 Basis for Qualified Opinion**

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###### **(a) Accounting Policies**

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
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Accounting policies adopted in preparing the financial statements had not been disclosed by the Sabha in the financial statements.	Accounting policies should be disclosed in the financial statements.	Will be disclosed in future.

###### **(b) Lack of Necessary Documentary Evidence for Audit**

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
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Payment amount of Rs 113,008 had not been ensured reason for good procurement documents and special certified documents had not been obtainable.	Good Procurement documents and special certified documents should be submitted.	Will be produced in future

## 1.4 Non-Compliance

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### 1.4.1 Non-compliance with Laws, Rules, Regulations and Management Decisions

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Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
(a) National Audit Act No 19 of 2018 Section 16(2)	An annual performance report had not been presented.	Reports should be submitted to audit in timely manner.	Will be submitted in future.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 371	Action had not been taken to recover the advance for more than 18 years, amount of Rs. 150,969 paid to officer for pensioners payments.	Action should be taken for recovery of advance	Should be settled the advance
Financial Regulation 371(2)(c)	Advance paid to drivers for Rs. 5,000, therefore that amount should be pay to staff officers.	Advance should be paid to staff officers	Will be rectified

## 2. Financial Review

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### 2.1 Financial Results

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According to the financial statements presented, the revenue over recurrent expenditure of the Sabha for the year ended 31 December 2018 amounted to Rs.3,821,210 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 1,957,197.

### 2.2 Revenue Administration

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

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Rs 4,804,055 as the revenue arrears of the Sabha in the last year. Totalling arrears Rs.6,711,899 for the year. However, the revenue collection as a inefficiencies was increased Rs. 1,907,844. The following observation are made.

Source of Revenue	2018			2017		
	Estimated Revenue	Revenue Billed	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Total arrears as at 31 December
Rent	4,698,200	5,268,494	1,475,171	3,200,000	2,038,341	1,372,171
License Fees	490,000	566,371	-	240,000	421,100	-
Other Revenue	3,152,500	6,337,717	5,236,728	3,776,530	4,498,983	3,431,884
	<b>8,340,700</b>	<b>12,712,582</b>	<b>6,711,899</b>	<b>7,216,530</b>	<b>6,958,424</b>	<b>4,804,055</b>

### 2.2.2 Performance in Collection of Revenue

Audit Observation	Recommendation	Comment of the Accounting Officer
Revenue arrears of the current year is higher than the previous year Rs. 1,900,000. It was increased this amount. Revenue collection had been ineffectiveness for the review year.	Action should be taken for recover the revenue arrears.	Will be rectified in future

### 2.2.3 Rent

Audit Observation	Recommendation	Comment of the Accounting Officer
The total amount of rent arrears due by the council is Rs. 1,475,171, No constructive measures have been taken.	Action should be taken to collect long-term rent arrears.	Action will be taken for recovery in future.

### 2.2.4 Court Fines and Stamp Fees

#### (a) Court Fines

Audit Observation	Recommendation	Comment of the Accounting Officer
Court fines of Rs. 2,575,053 were due from the Chief Secretary of the	Action should be taken recovery of the court fine.	Not Reply.

Provincial Council and other officers as at 31 December 2018.

**(b) Stamp Fees**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comment of the Accounting Officer</b> -----
Stamp fees of Rs. 2,137,871 were due from the Chief Secretary of the Provincial Council and other officers as at 31 December 2018.	Action should be taken recovery of the stamp fees.	Not Reply.

**3. Operating Review**  
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**3.1 Performance**  
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The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

**(a) Sub Rules**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comment of the Accounting Officer</b> -----
According to section 126 of the Pradeshiya Sabha Act, sub rules have been made on 30 main issues but no sub clauses have been created till 31st December 2018.	Action should be taken to create the necessary sub rules.	Actions are being taken to create sub-rules in the anticipatable future.

**(b) Delay in performing Project**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comment of the Accounting Officer</b> -----
Rural Drinking Water Supply Scheme, Chilawathurai through Provincial Development Grant Allocated for the year 2018, this work should be completed on or before 18 September 2018 and handed over to Sabha, But this work had not been completed.	Action should be taken to village water supply project will complete as soon.	This work plan is carried out in the year2018 to 2019 as a continue of work.

**(b) Sustainable Development Goals**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comment of the Accounting Officer</b> -----
In terms of the Audit Secretariat Circular No. General/2018/61 of 23 April 2018. No sustainability awareness and maritime and maritime pollution plans had not been prepared and sustained for sustainable development and protection of the oceans and marine resources.	Action shall be taken as per the instructions of the circular	Will be rectified in future

**3.2 Human Resources Management**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comment of the Accounting Officer</b> -----
Approved cadre and actual cadre of the Sabha as at 31 December 2018 were 62 and 55 respectively and action had not been taken to fill the 07 staff vacancies.	Action should be taken to filled the vacancies.	The filling of the Senior and Secondary Level vacancies should be settled by the Provincial Council. As the initial level rectified has been obtained it will be adjusted in the coming period.

**3.3 Assets Management**  
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**3.3.1 Failure to recording Assets**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comment of the Accounting Officer</b> -----
As the parking space is not adequately located in the allotted space, the vehicles are kept open place.	Action should be taken securities of the sabha's vehicle.	Will be rectified in future

### 3.3.2 Failure in carrying out Maintenance and Repairing

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
No action has been taken in the last eight years on 16 vehicles not used by the Sabha.	Constructive action should be taken on unused vehicles	Actions have been taken to sell specific vehicles.

### 3.3.3 Assets not acquired

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
(a) Amount of Rs.11,350,000 which has not been transferred to the existing sabha, eight vehicles are included in the financial statement.	Action should be taken to transfer the ownership of the vehicle to sabha.	Not Reply.
(b) Amount of Rs 6,062,157 from the use of the Sabha has not been transferred to the sabha for possession of 23 buildings.	Action should be taken to transfer all 23 of the lands in use to the Sabha.	Not Reply.

### 3.4 Procurement

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#### 3.4.1 Performance

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The matters observed in respect of execution of activities that should be executed under Section 3 of the Pradeshiya Sabhas Act such as regularize and control over the matters of public health, public utility services and public thoroughfares and the comfort, convenience and welfare of the people are given below.

#### 3.4.2 Procurement Plan

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
Amount of Rs.1,238,814 spent on vehicle repairs carried out by the sabha on three instances during the review year. In accordance with annexure 2.14.1 of the 28th appendix dated 04 July 2014, as an addendum to the Procurement guideline of 2006.	Approval should be taken according to the produrement guideline and produrement manual.	Will be rectified in future.

**4. Accountability and Good Governance**

**4.1 Budgetary Control**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
The cost of repairing capital assets in the year under review was Rs 1,830,000, since the actual cost is Rs 2,996,899, the difference between amount was Rs. 1,166,899. This budgeted had not been prepared in effectiveledy.	When preparing a budget, the budget should be prepared so that it does not make a massive difference	Budget will be prepared in a approaching manner