

**Musali Pradeshiya Sabha**

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**Mannar District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2019 had been presented for audit on 27 February 2020 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 June 2020 and 22 July 2020 respectively.

**1.2 Qualified Opinion**

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 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Basis for Qualified Opinion**

**(a) Accounting Policies**

Audit Observation	Comment of the Accounting Officer	Recommendation
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Accounting policies adopted in preparing the financial statements had not been disclosed by the Sabha in the financial statements.	This matter was not mentioned in the miscalculation. Will be revealed in the future	The Accounting principles followed to prepare the financial statements should be disclosed in the financial statements.

**(b) Accounting Deficiencies**

Audit Observation	Comment of the Accounting Officer	Recommendation
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The value of the assets has been increased by Rs. 69,150 and the accumulated funds have been increased, due to the value of the repair work done included at the Musali head office by the Sabha funds during the year under review was Rs. 69,150.	The officer has been instructed to record the accounts properly in future.	Actions should be taken to disclose the cost of repair work as a recurrent expense.

**(c) Unreconciled Accounts**

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
(i) In the year under review, the different of Rs. 1,040,276 between specified the revenue register and subject analysis schedule for the 13 revenues.	Action will be taken to rectify this error through journal in the final report for the year 2020. Further, action will be taken to prevent such mistakes in future.	Differences in the relevant balances should be reconciled and action taken to correct the accounts.
(ii) Although the initial balance of Rs. 1,019,883 was found in the slaughter shop rent arrears. As the initial balance of Rs. 1,238,924 was shown in the final accounts of the debtors. Since the value of Rs 219,040 is found to be different.	Will consider in the coming financial years and adjustments will be made.	Such accounting errors should be avoided.

**1.4 Non-Compliance**

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

<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Non-compliance</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) National Audit Act No 19 of 2018 - Section 16(2)	An annual performance report had not been presented in the year under review.	Will be submitted annual performance report in future.	Action should be taken to submit the annual performance reports in the due period.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka - Financial Regulation 371	The pension of Rs. 149,469 paid in advance to an officer of the Sabha for more than eighteen years has not been settled and no constructive action has been taken by the Sabha in this regard.	Action is being taken to recover from the concerned officer.	Appropriate action should be taken as per the financial regulation.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the revenue over recurrent expenditure of the Sabha for the year ended 31 December 2019 amounted to Rs.5,046,655 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 15,797,329.

### 2.2 Revenue Administration

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

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

Source of Revenue	2019			2018		
	Estimated Revenue	Revenue Billed	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rent	4,526,000	4,061,700	2,201,924	4,698,200	5,268,494	1,475,171
License Fees	515,000	952,470	-	490,000	566,371	-
Other Revenue	4,274,000	7,123,946	21,694	3,152,500	6,337,717	5,236,728
	<b>8,340,700</b>	<b>12,712,582</b>	<b>2,723,618</b>	<b>8,340,700</b>	<b>12,712,582</b>	<b>6,711,899</b>

#### 2.2.2 Performance in Collection of Revenue

Audit Observation	Comment of the Accounting Officer	Recommendation
No constructive action has been taken by the council in respect of the outstanding amount of Rs. 1,019,883 from the rent of the butcher shop owned by the council since 2015.	The Regional Assistant Commissioner of Local Government instructed them to seek a resolution in the Sabha to collect the arrears through a lawyer in order to collect the beef shop arrears in 2015. Therefore, permission was sought by letter from the Revenue Inspectors in order to obtain a resolution in the Sabha.	Appropriate action should be taken to collect the rent arrears.

### 2.2.3 Court Fines and Stamp Fees

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#### (a) Court Fines

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<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
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Should recover the due court fines of Rs.2,602,419 were due as at 31 December 2019.	Action has been taken to recover the court fine.	Action should be taken recovery of the court fine in the due period.

#### (b) Stamp Fees

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<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
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Should recover the due stamp fees of Rs.2,016,750as at 31 December 2019.	Action has been taken to recover the stamp duties.	Action should be taken recovery of the stamp fees.

### 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 No 15 of 198, 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) Sustainable Development Goals

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<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
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In terms of the Audit Secretariat Circular No. Auditor 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.	The Coastal Pollution Control Project 2019 will be implemented by us and will continue to be implemented	Actions should be taken to prepare and implement appropriate plans to achieve the Sustainable Development Goal and to protect the seas and marine resources.

### 3.2 Management inefficiencies

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
(a) The information requested by the Council for more than one year in respect of 18 requests for information under the Right to Information Act No. 12 of 2016 dated 04 August 2016 has not been provided to the relevant parties.	Request No. 01, 02, and 4th, 5th, 6th, 7th, 8th, requests will be advanced when funding is available for development. In addition, the 3rd, 9th, 10th, 16th and 17th requests have been completed.	Action should be taken to provide information to the relevant parties in the due period.
(b) No action has been taken by the Sabha in the due period of the revenue Rs. 327,264 from drinking water distributed for the housing project through the sabha's owned water bowser in 2018.	Letters have been sent to debtors more than Rs.2000 arrears.	Action should be taken to receive the arrears in the due period.
(c) No constructive actions has been taken by the sabha to recover the vehicle rent arrears Rs. 95,800 of sabha's for the last 04 years.	Reminder letters have been sent to collect the vehicle rent arrears to be received by the sabha and follow up action will be taken.	Actions should be taken to recover the vehicle rental arrears.
(d) No action has been taken regarding the outstanding amount of Rs. 83,250 By JCB and Motor Crater lease owned by the Sabha during the year under review.	Action will be taken on arrears to be received for work other than sabha's work	Action should be taken to collect the vehicle rent arrears due.

### 3.3 Human Resources Management

#### (a) Staff Loans

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
Letter of notification of vacated Post by the Secretary of the Board beginning 27 May 2019 from the officer of the sabha. No action has been taken by the Sabha to recover the remaining Rs. 12,400 from the officers.	The first reminder has been sent for the concerned officerto repay the loan. Follow up will be taken.	Action should be taken to recover the loan from the officer in the due period.

**(b) Employees Securities**

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
According to the Provincial Financial Circular No.PF/01/2017(a) dated 04 March 2017, It was observed Rs. 121,000 was paid less than the minimum employee securities bonds to be paid by the officers was Rs. 187,500 but only Rs. 66,500 was not paid.	Action is being taken to collect from the concerned officers.	Appropriate action should be taken to recover the lesser amount from the concerned officers.

**3.4 Operating Inefficiencies**

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
The inventory items found in the inventory on 31 December 2019 have not been assessed and brought to the financial statement.	Mistakenly not included in the account. It is advised to include in the annual audit report in future.	Actions should be taken to evaluate the inventory items in stock and bring them to the financial statement.

**3.5 Assets Management**

**3.5.1 Assets not acquired**

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
The 18 lands of buildings which use of the Sabha, have not been transfer the ownership to the sabha upto now.	Letters have been sent to the Musali Divisional Secretary to take action to hand over the land legally. Follow up will be taken.	Appropriate action should be taken to transfer ownership of lands that have not been transferred.

**3.5.2 Utilization of Vehicles**

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
(a) According to the daily running chart of the vehicle PF- 3331 of Musali Pradeshiya Sabha, 6,690 km was traveled from 01 May 2019 to 30 June 2019, but the purpose of individual Journey were not specified.	The purpose of the vehicle has been specified and adjusted.	The purpose of the journey should be disclosed proper systems.

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| (b) Prior approval should be obtained from the Provincial Commissioner of Local Government for the use of the Sabha vehicle outside the Mannar District. However, the vehicle PF-3331 was taken to Puttalam district by the Honorable Chairman of the sabha and the purpose of the journey was not stated even though 1,150 km was in use. | Approval has not yet been obtained and action will be taken to rectify the situation in the near future. | Should be duly approved and used. As well as the purpose of the journey should be properly expressed. |
| (c) According to the Ministry of Financial Circular No. PFD/ASD/02/Veh. Circular 2015 dated 10 July 2015, No continuous action has been taken by the Sabha for the last 07 years regarding 13 vehicles not used by the Sabha.  | Actions are being taken to transfer the ownership and take action to evaluate and sell used vehicles     | Appropriate action should be taken as per the circular  |

**4. Accountability and Good Governance**  
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**4.1 Budgetary Control**  
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**Audit Observation**  
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It was observed that without mentioning the capital contract work of the budget in the year under review in 2019 which should execute by the sabha has been completed 02 works.

**Comment of the Accounting Officer**  
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It will be prepared to prevent such mistakes in the future.

**Recommendation**  
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The annual budget should be prepared in an efficient manner including capital contract work.