

**Mannar Pradeshiya Sabha**

-----  
**Mannar District**  
-----

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2019 had been presented for audit on 28 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 17 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 Mannar 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 Deficiencies**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) Although the value of the three roads carried out by the council during the year under review was Rs. 9,498,901, in the final accounts. The value of the assets was reduced by Rs. 3,337,197 in the financial statements as shown by Rs. 6,161,704.	Kindly inform that the difference will be rectified in the coming financial statements.	The financial progress report and final account balance must be complied with.
(b) Three building development works worth Rs. 2,739,496 carried out in the Provincial Development Fund during the year under review have not been accounted for as capital expenditure and have been erroneously shown as current expenditure. Thus the value of the assets is undervalued in the financial statement.	The buildings will be included in the current valuation after re-evaluation.	The work carried out in the capital fund should be considered as capital expenditure.

- |     |  |   |   |
|-----|--|---|---|
| (c) | Amount of Rs. 117,550 worth of electrical appliances and value of 585 liters of fuel have not been brought to the financial statement.   | Adjustments will be made in the coming financial year.          | At the end of the year the value of the stock should be accurately calculated and brought into the financial statement. |
| (d) | Although Rs. 698,100 was purchased by the Sabha in 2019 for plant and machinery, it was found to be Rs. 774,600 in the financial statements and the difference is Rs. 76,500 for the machinery purchased by the Sabha in previous years. The Journal for these is included in the current financial statement assets without registration. | Will be adjusted in the financial statements for the year 2020. | Appropriate journal entries should be followed and financial statements should be prepared                              |
| (e) | As per Sabha's board of survey report written off items were Rs. 735,822 the capital grand account Rs. 764,150 was deducted. Rs. 28,328 was deducted against the capital expenditure has double entry and it was increased the consolidated fund.  | Will be adjusted in the financial statements for the year 2020. | Accounts errors should be avoided.  |

#### 1.4 Non-Compliance

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

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance;	Comments of the Accounting Officer	Recommendation
-----	-----	-----	-----
(a) National Audit Act No 19 of 2018			
- Sub section 16(2)	An annual performance report had not been presented for the review under year.	An annual performance report will be submitted in future.	Reports should be submitted to audit in the due period.

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

- Financial Regulation 571 No action had been taken in respect of seven lapsed deposits amount of Rs. 257,692 more than two years. will be taken to refund the seven deposits. Appropriate action should be taken as per the financial regulations.

## 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. 7,724,717 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 9,153,708.

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Billed Revenue, Collected 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	2019				2018			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	3,350,111	304,205	434,640	738,824	526,000	239,355	163,082	808,659
(ii) Rent	10,610,900	-	9,603,416	2,809,977	9,595,600	-	7,952,916	2,830,000
(iii) License Fees	2,392,750	-	1,739,630	-	719,250	-	1,445,725	-
(iv) Service Charge	669,800		1,595,232	33,000	571,900		593,379	-
(v) Other Revenue	8,774,126	-	14,604,643	8,244,862	8,657,130	-	19,272,883	14,337,065
	<b>25,797,687</b>	<b>304,205</b>	<b>27,977,561</b>	<b>17,975,723</b>	<b>20,068,980</b>	<b>239,355</b>	<b>28,834,606</b>	<b>17,975,724</b>

## 2.2.2 Performance in Collection of Revenue

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
The assessed rate and tax for the year under review was Rs. 3,350,111 while the revenue collected was Rs. 434,640 which is 8 per cent of the gross valuation. This reveals the inefficiency of revenue collection.	The budget will be properly prepared In 2020 and actions will be taken to collect revenue.	A budget should be prepared for the receivable income and actions should be taken to collect the revenue.

## 2.2.3 Rates and Taxes

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
Sum of Rs. 723,242 has not been collected as property tax arrears for the year 2017 and 2018 on lands and constructed houses and buildings under the jurisdiction of Mannar Pradeshiya Sabha.	This year we intend to collect rate tax and taxes with the help of office bearers. Documents have also been submitted for re-evaluation.	Action should be taken to assess in due course and to collect the levy rate taxes.

## 2.2.4 Rent

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
No action has been taken to recover the long standing revenue of Rs. 928,496 from the sabha owned beef stalls, parking lease and daily market.	Permission has been granted at the June Sabha meeting to take up the uncollected charges to court. We intend to collect through court action in the coming times.	Action should be taken to collect the revenue arrears in the due period

## 2.2.5 Court Fines and Stamp Fees

### (a) Court Fines

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
As at 31 December 2019, court fines amounting to Rs. 4,011,035 were to be received.	According to the decision in 2020 collection will be done by request, it has been submitted the request and received through request.	Appropriate action should be taken to obtain a court fine in the due period.

**(b) Stamp Fees**  
-----

<b>Audit Observation</b> -----	<b>Comments of the Accounting Officer</b> -----	<b>Recommendation</b> -----
As at 31 December 2019, stamp fee Rs. 3,852,177 were to be received.	According to the decision in 2020 collection will be done by request, action will be taken to submit request.	Action should be taken recovery of the stamp fees in the due period.

**3. Operating Review**  
-----

**3.1 Performance**  
-----

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) Sustainable Development Goals**  
-----

<b>Audit Observation</b> -----	<b>Comments of the Accounting Officer</b> -----	<b>Recommendation</b> -----
In terms of Secretary of Auditor General, General No 2018/61 of 23 April 2018, sustainability awareness and maritime and maritime pollution control plans had not been prepared for sustainable development while protecting the oceans and marine resources.	Action will be taken implementing awareness programs and instructing the public in future.	Action should be taken to the relevant plan prepared and operated.

**3.2 Management Inefficiencies**  
-----

<b>Audit Observation</b> -----	<b>Comments of the Accounting Officer</b> -----	<b>Recommendation</b> -----
(a) The permit fee due to the sabha in respect of 716 housing projects which were completed in the past without the approval of the sabha and the certificate of conformity Rs.1, 116,960 had not been received. This made revenue loss.	Actions will be taken to send letters personally once the details of the beneficiaries are collected.	Action should be taken by the sabha to obtain appropriate approval from time to time.

- |     |   |  |   |
|-----|---|--|---|
| (b) | No constructive action has been taken by the Sabha for more than 11 months in connection with the 6 complaints received from the public during the year under review. | Currently, action is being process to finalizing regarding this. | All complaints should be resolved in the due period.      |
| (c) | No action has been taken to collect the long outstanding rent arrears of Rs. 593,724 renting out vehicles owned by the Sabha.   | Actions are being taken to collect the arrears revenue.          | Action should be taken to recover long-term rent revenue. |

### 3.3 Human Resources Management

-----

#### (a) Vacancies and Excess

-----

Audit Observation	Comments of the Accounting Officer	Recommendation
-----	-----	-----
The 14 vacancies of the sabha were not filled and the work that could have been undertaken by such persons was affected.	Action is currently being taken to recruit unscheduled personnel in the shortage.	Vacancies should be filled in the due period and action should be taken by the sabha to ensure better service.

#### (b) Employees Securities

-----

Audit Observation	Comments of the Accounting Officer	Recommendation
-----	-----	-----
(a) According to paragraph 06 of the Provincial Finance Circular No. PF / 01/2017 No. (a) 04 March 2017, when the officer who made the bond was transferred to another Ministry or Department, the full details and documents should be forwarded to the relevant Ministry or Department. However, the details of the Rs. 14,000 security bond of the five officers who left the Pradeshiya Sabha for various reasons have not been sent.	Documents regarding the bond of the concerned officers will be sent to the relevant departments soon.	The details of the officer who paid the bond should be forwarded to the concerned Ministry or Department in the due period.

- |     |  |  |   |
|-----|--|--|---|
| (b) | It was observed that according to the Provincial Finance Circular No. PF/01/2017 No. (a) 04 March 2017, the minimum employee bond payable by the officers Rs. 147,500 but only Rs. 72,500 less payment made. | Actions will be taken to recover the balance amount from the salary. | Actions should be taken to recover the lesser amount from the concerned officers. |
|-----|--|--|---|

### 3.4 Operating Inefficiencies

-----

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
Contrary to Section 52 of the Pradeshiya Sabha Ordinance No. 15 of 1987, permission for 105 buildings has been denied in the last 5 years but 70 of them have been completed. However, no further action has been taken by the sabha in this regard.	Action will be taken through the Compliance Sabha to issue permits for unauthorized buildings upon completion of the permit and to give written notice to the building owners who have completed the building without obtaining permission and thereafter obtaining permission.	Appropriate action should be taken under Section 52 of the Pradeshiya Sabhas Ordinance.

### 3.5 Assets Management

-----

#### 3.5.1 Assets not registered

-----

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
Fifteen plots of land owned by this sabha have not been valued for more than ten years and brought to the financial statement the value of the properties has been reduced in the balance sheet.	Once the documents are measured and available, the price will be assessed and evaluated by the department and added to the accounts.	The lands should be valued and registered in the property register.

#### 3.5.2 Failure in carrying out Maintenance and Repairing

-----

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
No action has been taken to repair and use 13 vehicles worth Rs. 10,119,000 found in the Sabha in 2019 for a period of 01 to 05 years.	It has been decided to repair the usable vehicles for use and also to take appropriate alternative measures for the vehicles which are found to be amenable to modification and use.	Actions should be taken to repair and use the vehicles in due period.

### 3.5.3 Failure to obtain income due from assets

-----

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
An average loss of Rs. 1,500,000 has been incurred due to the fact that the vehicle No. ZA 3165 belonging to this Sabha was found unusable for more than one year due to repair work.	The machine is now fully modified and put to use.	Vehicles should be repaired and put to use in the due period and action should be taken to collect revenue.

### 3.5.4 Assets not acquired

-----

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
The ownership of 10 vehicles valued at Rs. 4,090,000 found in the use of the Sabha has not been transferred and no further action has been taken in this regard.	At present, Action will be taking for transfer of ownership continuously.	Actions should be taken to transfer untransfer vehicles in due period.

## 3.6 Procurement

-----

### 3.6.1 Procurement Plan

-----

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
The Annual Procurement Plan for the year has not been prepared by the Sabha as per Section 4.2 of the Procurement Guide 2006.	Actions will be taken to prepare a procurement plan for the coming year.	An annual procurement plan should be prepared as per the procurement guidelines.

## 4. Accountability and Good Governance

-----

### 4.1 Budgetary Control

-----

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
The range of the difference between the cost of travel and the actual cost in relation to travel expenses and subsidies according to the budget for the year is found to be between 07 per cent and 56 per cent, highlighting the inefficient budget product.	In the future, the budget will be made efficiently without such shortcomings	Actions should be taken to ensure cost control.



**4.2 Internal Audit**  
-----

<b>Audit Observation</b> -----	<b>Comments of the Accounting Officer</b> -----	<b>Recommendation</b> -----
An internal audit unit has been created to review and review the activities of the Sabha effectively and efficiently, internal audit inspections carried out for the during the year review have not made any progress.	Actions are being taken to ensure that the internal audit officer alone is classified for internal audit only.	Action should be taken to ensure the effectiveness of the internal audit.