

Manmunai Pradeshiya Sabha

Batticaloa District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2019 had been submitted to audit on 10 May 2020 and the summarized Auditor General's Report on that financial statements was sent to the Chairman on 30 June 30 and the management report was sent on 19 June 2020.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph of basis for qualified opinion, financial statements give a true and fair view of the financial position of the Manmunai 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

1.3.1 Accounting Policies

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
The Financial Statements did not disclose the accounting policies adopted by the Sabha for the presentation of financial statements	Accounting policies should be disclosed in the financial statements.	Accepted.

1.3.2 Accounting Deficiencies

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Although the Pradeshiya Sabha calculated the arrears of stamp duty amounting to Rs.2,283,441, that arrears were not included in the financial statements.	Arrangements should be made to bring the arrears of stamp duty to the financial statements.	Accepted.

- | | | | |
|-----|---|---|-----------|
| (b) | Although the recoverable shop rent was understated by Rs. 52,119 and presented in the final accounts. | Action should be taken to account for the correct value of the shop rent to be charged. | Accepted. |
| (c) | The value of 1610 lost books had not been assessed and presented to the final accounts. | The value of 1610 lost books should be assessed and presented to the final accounts. | Accepted. |

1.3.3 Contingent Liabilities

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
The Pradeshiya Sabha had spent Rs. 73,000 for these cases. These cases, however, are still pending, but the costs were not presented in the accounts as contingent liabilities.	Action should be taken to account for expenses incurred in pending cases.	The attorney fees for the two cases were not presented in the accounts as contingent liabilities due to failure to notify us in advance.

1.3.4 Accounts Receivables and Payables

(a) Accounts Receivables

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Although electricity debtors of Rs.781,370 shown in the financial statements continuously more than 10 years, and no action was taken to recover arrears or write-off from ledger accounts.	Need to take action to recover or write-off from books.	Accepted.

(b) Accounts Payables

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
No action has been taken for more than 05 years to identify and settle or write-off of loan creditors of Rs. 1,861,828 and electricity distribution loan of Rs.1,958,630.	Need to take action to settle or write-off from books.	Accepted.

1.3.5 Documentary Evidences not made available for Audit

Audit Observation -----	Recommendations -----	Comments of the Accounting Officer -----
Six subjects of accounts amounting to Rs.88,913,757 could not be satisfactorily verified during the audit due to non-submission of land deeds, asset documents and title deeds.	Evidence of account balance should be submitted.	Accepted

1.4 Non-Compliances

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

The following are instances of non-compliance with laws, rules, and regulations.

Reference to Laws, Rules, Regulations and Management Decisions -----	Non-Compliance -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Section 12 (1) and (2) of the Pradeshiya Sabha Act No.15 of 1987 and subsection 31 (1) of the Gazette Notification No. 488/16 of 13 January 1988 of the Ministry of Local Government Housing and Industry	Although separate committees have been set up for the purpose of easing the functions of the Pradeshiya Sabha, to make a complete decision and for matters such as Sabha funds, policy planning, housing construction, social development, technical services, environmental and public utilities, action had not been taken to establish committees even by the end of the year under review.	Action should be taken to establish separate committees for each action in the Sabha.	Accepted.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the recurrent revenue over expenditure for the year ended 31 December 2019 amounted to Rs.982,263 when compared with the revenue over recurrent expenditure of the preceding year amounted to Rs. 15,041,101.

2.2 Revenue Administration

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

Information of estimated revenue, billed revenue, collected revenue and arrears of revenue relating to the year under review and previous year are shown below

Revenue Item	2019				2018			
	Estimated Revenue	Billed Revenue	Recovered Revenue	Arrears as at 31 December	Estimated Revenue	Billed Revenue	Recovered Revenue	Arrears as at 31 December
Rates and Taxes	Rs. 1,900,000	Rs. 1,900,000	Rs. 2,634,760	Rs. -	Rs. 1,500,000	Rs. 1,957,592	Rs. 1,957,592	Rs. -
Rental	1,700,000	1,981,100	1,572,000	409,099	5,041,700	5,236,400	4,798,100	4438,300
Licence Fees	1,000,000	1,000,000	1,196,025	-	1,125,000	1,651,150	1,654,900	-
Other Revenue	47,509,927	49,545,876	49,174,843	1,806,120	5,176,000	17,521,280	18,985,007	-
Total	52,109,927	54,426,976	54,577,628	2,221,219	22,842,700	26,366,422	27,395,599	438,300

2.2.2 Rates and Taxes

	Audit Observation	Recommendation	Comments of the Accounting Officer
(a)	The Sabha had only levied a temporary rates and taxes for the period 2010 to 2019.	The Government Valuation Department should conduct a revaluation at least once in 5 years.	Accepted.
(b)	Arrears of rates and taxes for the last 05 years on properties in 11 divisions in the Pradeshiya Sabha area had not been calculated and accounted for.	Action should be taken to calculate and account for arrears rate and tax properly.	Accepted.

2.2.3 Shop Rent Income

	Audit Observation	Recommendation	Comments of the Accounting Officer
(a)	Arrears shop rent of Rs. 461,218 due from long period had not been recovered.	Action should be taken to recover the lease rental arrears.	Accepted.
(b)	All the 5 shops located in the Town Revival Shopping Complex had not been provided by the Sabha on the basis of public bidding.	Action should be taken to lease the shopping complex by public bidding.	Accepted

- | | | |
|--|---|----------|
| (c) In terms of Sub-section 6 of the Lease Agreement and Sub-section 159 (1) of the Pradeshiya Sabha Act No. 15 of 1987, the Sabha failed to obtain a guarantee. | Action should be taken to obtain a security document from the lessee. | Accepted |
|--|---|----------|

2.2.4 Stamp Duty and Courts Fines

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Court fines and stamp duty of Rs.28,551,114 should have been received from the Chief Secretary of the Provincial Council and all the authorities, as on 31 December 2019.	Action must be taken to fully recover court fines and stamp duty by the end of 2019.	Accepted

3. Operational Review

3.1 Performance

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
<p>(a) By-Laws -----</p> <p>In terms of Section 126 of the Pradeshiya Sabha Act No.15 of 1987, by-laws should be imposed and implemented in respect of the revenue and regulation of the Pradeshiya Sabha on key issues. Nevertheless, the Pradeshiya Sabha had sent proposals on 08 by-laws in the year 2012, 06 by-laws in the year 2013 and 04 by-laws in the year 2017 to the Ministry of Local Government in the Eastern Province for approval but, As action had not been taken to obtained approval and implement even as at 31 December 2019.</p>	<p>Taking action to obtain the approval of the Ministry of Local Government, Eastern Province for the by-laws of the Sabha.</p>	<p>Accepted.</p>
<p>(b) Action Plan -----</p> <p>The annual action plan had not been prepared.</p>	<p>An annual action plan should be prepared.</p>	<p>Accepted</p>

(c) Abandoned Activities

The total estimated cost for the construction of 02 meat stalls and 02 retail outlets by the Council for the year under review was Rs.709,686. Nevertheless, the council did not take any action on the construction.

The Sabha should take steps to construct such stalls.

Accepted

(d) Sustainable Development Goals

The Sabha had not established the indicators for the Sustainable Development Programs Agenda to be achieved by 2030.

Taking action to establish indicators for measurement in relation to the development program agenda.

Accepted

3.2 Assets Management

3.2.1 Assets not Documented

Audit Observation

Recommendation

Comments of the Accounting Officer

No action had been taken to document the value of land and buildings in the fixed assets register.

The Sabha should take action to enter the value of land and buildings in the register of fixed assets.

Accepted

3.2.2 Vehicle Utilization

Audit Observation

Recommendation

Comments of the Accounting Officer

(i) Registration books had not obtained for 08 vehicles under the Motor Traffic Act.

Inspections should be carried out according to the using of vehicle Circular No. 30/2016 dated 29.12.2016 of the Ministry of Public Administration and Management No. EST-6 / TPORT / 05/3515.

Accepted

- (ii) Revenue licenses for 08 vehicles had not been obtained. Inspections should be carried out according to the using of vehicle Circular No. 30/2016 dated 29.12.2016 of the Ministry of Public Administration and Management No. EST-6 / TPORT / 05/3515. Accepted

3.3 Procurement

3.3.1 Procurement Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
The procurement plan for the year under review had not been prepared.	A proper procurement plan should be prepared.	Such errors will be corrected in the future.

4. Accountability and Good Governance

4.1 Audit and Management Committee

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
The Audit and Management Committees were not established and no Committee Meetings were held during the year under review	It should be established and conducted Audit and Management Committee meetings during the year under review.	Corrections will be made so that such errors do not occur in the future.