

Mannar Urban Council

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 of the Councils on 17 June 2020 and 24 August 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 Urban Council 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

Audit Observation	Recommendation	Comment of the Accounting Officer
<p>(i) Even though the court penalty payable by the Municipal Council in the year under review is Rs. 4,401,606 and the stamp duty is Rs. 13,886,820 shown in the income and expenditure account. The following adjustments have been made as the financial statements without include the total amount of Rs. 18,288,426 in the account of public debtors.</p> <ul style="list-style-type: none">The amount accumulated in the financial statements was understated as the amount deposited by the Urban Council as a fixed deposit during the year was shown as capital expenditure of Rs. 10,000,000.	<p>This will be adjusted through Journal in the final accounts for the year 2020</p> <p>The amount of Rs. 10,000,000 incorrectly fixed deposit in the revenue expenditure for the year under review will not be overstated in capital expenditure and will be adjusted by 2020.</p>	<p>Should be shown in the financial statement of receivable revenue in the year under review.</p>

- Accumulated fund account was understated in the financial statements due to the LGIP received Tipper, Roller, JCB receivable revenue Rs. 5,197,263 were not shown in the revenue account.

The year under review, the revenue was understated due to mistakenly not shown received revenue of 03 vehicles such as the Tipper, Roller, JCP vehicles Rs. 5,197,263 in the Income and Expenditure account.
 - Rs. 3,037,162 received through PSDG was understated from the capital grant accounts as the amount accumulated fund in the financial statements was understated.

Amount of Rs. 3,037,162 received through PSDG funding during the year under review. Income has been shown to be understated because it was included in the capital grant account but incorrectly not included in the income expenditure account.
 - The refundable deposit of Rs. 54,000 was omitted from the current account.

Refundable deposit of Rs. 54,000 is not included in the miscellaneous deposit account.
- (ii) The rental income Rs. 21,696,393 was understated in the Income and Expenditure account and the licenses was overstated in the same amount due to the Income and expenditure account of the year under review rental income under public utility services has been shown as Rs. 21,696,392
- Please let you know that such mistakes will not happen in the future.
- Appropriate income should be displayed under the appropriate income heading.
- (iii) Rs. 10,000,000 worth of lands and buildings of the Urban Council are included in the assets in the financial statements even though they do not belong to the Council of the Ayurvedic Herbal Garden.
- Would like to inform you that action has been taken to remove the land in question from the 2020 accounts.
- Only Councils property should be included in the fixed assets

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) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
- Financial Regulation 371	No constructive measures have been taken regarding the advance Rs. 1,548,818 was not settled over a period of seven years by the Councils.	Actions have been taken to settle the advance of the 07 unsettled advances.	Appropriate action should be taken in terms of financial regulations.
- Financial Regulation 571	No action has been taken by the Councils regarding the laps deposits amounts Rs. 261,233 of the contract deposits more than two years to four years.	Action will be taken to transfer the laps deposits to revenue.	Appropriate action should be taken in terms of financial regulations.

2 Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue over recurrent expenditure of the Councils for the year ended 31 December 2019 amounted to Rs. 52,657,844 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 54,345,454.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed 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 Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Collected	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	17,100,000	13,896,335	22,891,378	17,055,000	18,329,289	18,867,241
(ii) Rent	40,852,750	21,399,408	4,238,289	28,269,300	37,065,155	5,309,954
(iii) License Fees	1,160,000	23,269,501	-	1,340,000	1,422,159	-
(iv) Other Revenue	21,635,000	31,458,963	4,886,817	18,086,500	26,508,501	23,550,648
	80,747,750	90,024,207	32,016,574	64,750,800	83,325,104	47,727,843

2.2.2 Rentals

Audit Observation

The rent arrears of Rs. 138,290 due from the Sathosa Trade Center for renting a building owned by the Urban Council has not been collected for more than 05 years and no action has been taken by the Council to collect it.

Comment of the Accounting Officer

Action had been taken recover.

Recommendation

Actions should be taken to recover arrears of rental of the long pending.

2.2.3 Rates and Taxes

Audit Observation

As per Section 160 of Chapter 255 of the Urban Council Ordinance, rates and taxes total of Rs. 19,700,961 has not been recovered on lands and constructed houses and buildings under the jurisdiction of the Urban Council.

Comment of the Accounting Officer

Action had been taken recover.

Recommendation

Actions should be taken by the Councils to recover arrears of rates and taxes of long pending.

2.2.4 Court Fines and Stamp Fees

(a) Court Fines

Audit Observation

Court fines of Rs. 4,751,854 were due from the Chief Secretary of the Provincial Council and other officers as at 31 December 2019.

Comment of the Accounting Officer

Action had been taken the recover.

Recommendation

Action should be taken recovery of the court fine in the due period.

(b) Stamp Fees

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
Stamp fees of Rs. 18,423,479 were due from the Chief Secretary of the Provincial Council and other officers as at 31 December 2019.	Action has been taken to recover.	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 Council in terms of Section 4 of the Urban Council 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.,

Sustainable Development Goals

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
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 has been taken.	Should be acted and prepared the relevant plan for achieve the sustainable development goals.

3.2 Management Inefficiencies

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
No constructive actions has been taken to recover the outstanding lease of Rs. 1,791,696 from the Council's owned beef shop, daily market, parking lease and modern fish market lease for more than fourteen years.	Action has been taken to recover.	Action should be taken to recover the revenue in the due period.

3.3 Human Resources Management

Audit Observation	Comment of the Accounting Officer	Recommendation
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(a) Vacancies and Excess -----		
The vacancies of 15 members of the Council were not filled and the work which could have been carried out by such persons was affected.	Action is being taken.	The council should take appropriate action to fill the vacancies within the appropriate time frame
(b) Employees Loan -----		
(i) No constructive action has been taken by the council regarding the loan of Rs. 421,454 of the 05 employees who have to be charged for more than four years due to voluntary resignation, suspension and retirement from service in the Mannar Urban Council.	An action has been taken to collect from the gratuity of the employees concerned.	Action should be taken to collect the employee loan arrears in the due period.
(ii) The outstanding balance of Rs. 191,862 of an officer who was resigned from service in the review year is shown in the present list of those in service.	The arrears are currently being added to the list of Vacated Post.	Debt balances should be displayed under the appropriate categories
(c) Employees Securities -----		
(i) Full details and documents relating to the officer who made the bond payment to and transfer to another Ministry or Department as per paragraph 06 of the Provincial Finance Circular No. PF / 01/2017 dated 04 March 2017 should be forwarded to the relevant Ministry or Department. However, the details of 03 officers have not been sent from the Urban council for various reasons.	Kindly inform that the action will be taken in respect of the employee bond of the officers and will be rectified from the accounts.	Appropriate action should be taken in accordance with the circular.
(ii) As per the Provincial Finance Circular No. PF / 01/2017 dated 04 March 2017, it was observed that the minimum employee bond payable by the officers was Rs. 317,500 but less than Rs. 185,000 was paid.	Kindly inform you that action has been taken to recover the amount as per the circular No. PF/01/2017(a) dated 04 March 2017.	Appropriate action should be taken in accordance with the circular.

3.4 Assets Management

3.4.1 Failure in carrying out Maintenance and Repairing

Audit Observation	Comment of the Accounting Officer	Recommendation
Twelve vehicles owned by the council had to be repaired for more than five years but no action had been taken in this regard.	Would like to inform you that out of the 12 vehicles that the ones that can be repaired are being repaired and using and also steps are being taken to remove other vehicles that cannot be repaired.	Appropriate action should be taken regarding the safety of vehicles.

3.4.2 Assets not acquired

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) No action has been taken to transfer in the ownership of 06 vehicles worth of Rs. 8,188,000, which are used by the Councils.	Action should be taken to transfer the ownership.	Ownership of the vehicles has to be transfer to Council.
(b) There are three buildings worth Rs. 31,100,000 coming from the use of the council; no constructive actions have been taken to change the ownership of the land.	Action is being taken.	A request has been made to the Mannar Divisional Secretary to confirm the ownership of the land. Ownership of the lands has to be transfer to Council.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comment of the Accounting Officer	Recommendation
The Council's interest payment of 237 per cent and the unloading link exceeded the estimated cost by 50 per cent in the year under review shows exceed the expenses than the estimate expenses disclosed ineffectiveness of budget preparations.	When the budget is prepared in the future it will be prepared in such a way that there is no difference between the actual cost and the budget.	Budget should be prepared proper system.