

Manmunai South Eruvil Pattu 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 28 February 2020 and the summarized Auditor General's Report on that financial statements were sent to the Chairman on 30 June 2020 and the detailed 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 South Eruvil Pattu 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 adopted by the Sabha for the presentation of financial statements should be disclosed in the financial statements.	Advice is being sought to prepare in the future in accordance with the Public Sector Accounting Standards.

1.3.2 Accounting Deficiencies

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
No action had been taken to transfer the revenue of Rs.281,063 received from the two lessees for the period 2018 in respect of market leases of the Sabha.	Revenue should be accounted for as prescribed.	Measures have been taken to transfer the amount of Rs.281,063 received from market lessees of the Sabha in the year 2018, to the Sabha revenue.

1.3.3 Lack of Evidence

Audit Observation	Recommendation	Comments of the Accounting Officer
Six subjects of accounts amounting to Rs. 219,327,731 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.	Evidence has been found for several fixed assets, such as land and buildings, machinery and cars and steps have been taken to obtain the documentation for others. Furthermore, information about the distribution of electricity and the expenses creditors could not be obtained.

1.4 Non-Compliances

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

The following are the 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
Public Administration Circular No. 02/2018 dated 24 January 2018	A human resource plan had not been prepared for the staff of the Sabha.	A human resource plan should be prepared for the staff of the Sabha	A Human Resource Plan for the staff of the Council and a separate Human Resource Plan for the employees working in the Solid Waste Management Division have been prepared. Also, the human resource plan for other staff will be followed in accordance with the instructions of the Department of Management Training.

1.4.2 Accounts Receivables and Payables

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
<p>(a) Accounts Receivables -----</p> <p>The outstanding electricity loan of Rs.1,656,338 in the financial statements has been in the accounts for over 10 consecutive years. Nevertheless, documents and corroborative evidence were presented in the accounts and no action was taken to recover the loan or write-off from the books.</p>	<p>Action should be taken to recover arrears amount or to write-off from the books.</p>	<p>The details of electricity charges, advances given to the CEB during the same period could not be charged or write-off from the books due to lack of details in the books.</p>
<p>(b) Accounts Payable -----</p> <p>(i) No action has been taken to identify or settle them or write-off for more than 05 years of Creditors of Rs.406,537 distribution loan of Rs.2,069,410 shown as creditors in the financial statements.</p> <p>(ii) No action had been taken to settle or to transfer to income of the amount of Rs. 172,529 which were to be paid to 16 contractors over 4 years in the deposit account of the Sabha</p>	<p>Taking action to clear or pay off the outstanding balance.</p> <p>Should have taken action to settle the security deposit or transfer to income.</p>	<p>Action has been taken to identify or settle them or write-off for more than 05 years of Creditors of Rs.406,537 electricity distribution loan of Rs.2,069,410 shown as creditors in the financial statements.</p> <p>Arrangements have been made to repay the guarantees of the contractors who have been in the deposit account of the Sabha for a period of 04 years or to transfer them to income.</p>

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the recurrent revenue over expenditure for the year ended 31 December 2019 amounted to Rs. 38,793,420 when compared with the recurrent revenue over expenditure of the preceding year amounted to Rs. 20,586,408.

2.2 Revenue Administration

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

Details of estimated revenue, billed revenue, collected revenue and arrears of revenue relating to the year under review and previous year as per the information submitted are shown below.

Revenue Item	2019				2018			
	Estimated Revenue	Billed Revenue	Collected Revenue	Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	18,000	2,024,650	1,888,890	396,609	1,200,000	1,828,310	1,828,310	-
Lease Rent	18,244,200	22,170,000	21,632,495	4,342,056	15,174,400	18,556,129	14,753,576	3,802,553
License Fee	2,200,000	2,374,450	2,374,450	-	1,250,000	2,412,093	1,617,020	795,073
Other Revenue	21,535,000	46,573,750	40,786,143	25,905,721	62,955,640	45,988,563	36,178,461	9,810,102
	41,997,200	73,142,850	66,681,978	30,644,386	80,580,040	68,785,095	54,377,367	14,407,728

2.2.2 Revenue Collection Performance

Audit Observation	Recommendation	Comments of the Accounting Officer
No action had been taken to recover the long-standing arrears of rent amounting to Rs.3,802,553.	Need to take action to recover rent arrears.	A committee will be appointed and a decision will be taken in consultation with the Assistant Commissioner of Local Government.

2.2.3 Stamp Duty and Courts Fines

Stamp Duty

Audit Observation	Recommendation	Comments of the Accounting Officer
The Pradeshiya Sabha had not taken action to recover the stamp duty from the Registrar General within the stipulated time frame for the period from October to 31 December 2018 and January to 31 December 2019 collected it from the Registrar General in due course.	Action should be taken to recover the revenue up to the last and the year under review.	Details for the 03 quarters of the year 2019 were combined and submitted. Details for the 4 th quarter were received in 2020. Due to such time delays, it has not become available immediately.

3. Operational Review

3.1 Performance

Audit Observation

Recommendation

**Comments of the
Accounting Officer**

Sustainable Development Goals

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

Steps should be taken to establish indicators to measure the sustainable development agenda to be achieved.

Operations are being carried out for this purpose.

3.2 Assets Management

3.2.1 Assets not Documented

Audit Observation

Recommendation

Comments of the Accounting Officer

The Sabha had not taken action to document the movable and immovable property in the register of fixed assets.

The Sabha should be taken steps to document in the fixed assets register.

At the end of the year under review, approximately 60% of the value of land and buildings is capital expenditure incurred due to road repairs. The rest is the value of land and buildings. Therefore, arrangements have been made to list them in the Fixed Assets Register.

3.2.2 Maintenance and Repairs not Done

Audit Observation

Recommendation

**Comments of the Accounting
Officer**

A backhoe roller, gully bowser, tractor, small tractor, and motor grander belonging to the Sabha have been in repairable or non-repairable condition for over 03 years. No action was taken to repair or sell these by auctions.

Necessary action must be taken to repair or sell at auction.

Letters have been sent to the Eastern Provincial Mechanical Engineer requesting him to inspect and give report on the vehicles which cannot be repaired from the existing assets of the Sabha. Accordingly, action will be taken as soon as the report of the Mechanical Engineer is received.

3.3 Procurement

Procurement Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
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There was no procurement plan had been prepared for supplies and services.	The Sabha should have prepared a procurement plan for the supply.	action will be taken to prepare this well, in the coming years, along with the above, taking into consideration the proposals of the Pradeshiya Sabha 4 Year Development Plan.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
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Internal audits of the Sabha had not taken place during the year under review.	Should have performed the audit work properly.	Currently the Chief Management Officer has been appointed in charge of the Internal Audit and the Internal Audit Report has been submitted.

4.2 The Audit and Management Committees

Audit Observation	Recommendation	Comments of the Accounting Officer
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The Audit and Management Committees were not established by the Sabha during the year under review and no Committee Meetings were held.	The Audit and Management Committees should be established and Committee Meetings should be held.	The Sabha has planned to conduct Audit and Management Committee meetings.