

Manmunai South West 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 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 West 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
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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.	Will be corrected in the future.

1.3.2 Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Even though the arrears stamp duty receivable to the Sabha as at end of the year under review was Rs.5,950,450 it was shown in the Financial statements as Rs.2,996,691.	Not only cash income but also income receivable for the relevant year should be taken into consideration.	Outstanding stamp duty as stated in the financial statements is Rs.2,996,691 This was prepared on the basis of data obtained from the Registrar General of Lands.

- (b) Computer tuition fees amounting to Rs.146,729 had not been transferred to income. Should correctly account for. Transfers to income are being made in accordance with the relevant accounting standards.

1.3.3 Lack of Documentary Evidences

Audit Observation	Recommendation	Comments of the Accounting Officer
Four subjects of accounts amounting to Rs.213,432,560 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.	Steps have been taken to maintain the proper asset register and steps have been taken to file and protect the documents which prove the ownership.

1.4 Non-Compliances

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

Audit Observation	Recommendation	Comments of the Accounting Officer
Reference to Laws, Rules, Regulations and Management Decisions	Non-Compliances	
Public Administration Circular No. 02/2018 dated 24 January 2018	There was no separate Human Resource plan for the staff of the Sabha.	A separate Human Resource plan for the staff of the Sabha should be prepared.
		Accepted.

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the revenue over recurrent expenditure for the year ended 31 December 2019 amounted to Rs. 4,953,013 when compared with the revenue over recurrent expenditure of the preceding year amounted to Rs. 4,357,433.

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
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	650,350	650,650	548,445	177,310	660,350	784,780	709,375	75,405
Rental	5,507,145	3,370,112	3,370,112	-	924,450	1,060,498	1,060,498	-
Licence Fee	1,375,000	1,949,930	1,949,930	-	1,145,450	691,655	691,655	-
Other Revenue	<u>11,849,000</u>	<u>8,594,393</u>	<u>9,736,681</u>	<u>8,389,404</u>	<u>11,295,000</u>	<u>13,579,314</u>	<u>8,587,238</u>	<u>9,531,693</u>
Total	<u>19,381,495</u>	<u>14,565,085</u>	<u>15,605,168</u>	<u>8,566,714</u>	<u>14,025,250</u>	<u>16,116,247</u>	<u>11,048,766</u>	<u>9,607,098</u>

2.2.2 Courts Fines and Stamp Duty

	Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Courts Fines	The council had not yet taken action by the audit date of 20 May 2020, to fully recover the court fines until the end of 2019.	Action should be taken to collect the fines for the due year within the relevant period.	Action has been taken to recover the court fines due for the year under review.
(b) Stamp Duty	The Pradeshiya Sabha had not taken action to collect the stamp duty from the Registrar General for the period from January to 31 December 2019.	Penalties should be collected within the stipulated time frame.	Necessary measures have been taken to recover stamp duty and at present the documents related to stamp duty have been submitted to the Provincial Income Tax Department.

3. Operational Review

3.1 Performance

	Audit Observation	Recommendation	Comments of the Accounting Officer
(a) By-Laws	<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 05 key issues. Nevertheless, the Pradeshiya Sabha had sent proposals on by-laws in 2012 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>By-laws should be prepared and implemented.</p>	<p>Necessary steps have been taken to prepare the by-laws and obtain the relevant approval.</p>
(b) Annual Action Plan	<p>An annual action plan had not been prepared.</p>	<p>An annual action plan should be prepared.</p>	<p>An annual action plan is being prepared.</p>
(c) Solid Waste Management	<p>Solid waste management activities had not implemented properly and plans such as compost fertilizer production and recycling sales to generate revenue had not implemented.</p>	<p>Solid Waste management should implement plans such as compost fertilizer production and recycling sales to generate revenue.</p>	<p>According to the President's Circular, there is no need to collect decomposing waste from residents with more than 20 perches of land, and the decaying waste will be collected and the revenue earning activities will be carried out.</p>
(d) Sustainable Development Goals	<p>The Sabha had not establish the indicators for the Sustainable</p>	<p>Steps should be taken to establish indicators</p>	<p>Plans will be prepared based on the relevant guidelines and</p>

Development Programs Agenda to be achieved by 2030. for measuring the Sustainable Development Programs Agenda to be achieved. arrangements will be made for its implementation in the future.

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The Pradeshiya Sabha paid a total of Rs.6,992,833 in the year under review to the National Water Supply and Drainage Board for obtaining water for families residing in Pandariyaweli, Katsenei and Mawadi Munmari. However, as the project was not completed by the audit date of 20 May 2020.	Incomplete work on this project, and reports for completion, and reports from the National Water Supply and Sewerage Board should be presented	Action will be taken to rectify such shortcomings in the future.
(b) Out of the applications received in the year under review, it was observed that 49 applications had been approved by the expiry of the period.	Approval should be given within the stipulated time.	There was a time lag for review applications and to get the reports of the technical officer.

3.3 Human Resource Management

Audit Observation	Recommendation	Comments of the Accounting Officer
There were 4 vacancies in 3 posts and 8 excess officers in 2 posts.	Action should be taken to revise the vacancies and excesses in posts.	Action had been taken to fill the vacancies.

3.4 Operational Inefficiencies

Leasing and Levying Lease Fines

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Although stipulation of condition 5 of the lease agreement states that the selected bidder must submit a property guarantee or a cash	Property guarantee or cash guarantee is mandatory. Cash guarantee should be	In future, action will be taken to recover the terms of Lease Agreement No. 5 in accordance with the

guarantee of Rs. 25,000, no guarantees had been obtained for the above 15 agreements. As a result, it was observed that the general market lease collection agreement for Rs. 797,295 had been suspended.

charged as per lease.

value of the other agreements.

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 were not carried out during the year under review.	Should carry out internal audit activities.	The Internal Audit Unit will be set up and assigned functions and responsibilities.

4.2 **Audit and Management Committee**

Audit Observation	Recommendation	Comments of the Accounting Officer
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The Council had not established audit and management committees and held committee meetings.	Action should be taken to establish audit and management committees and conduct committee meetings during the year under review.	Audit and Management Committee meetings are now being held.