

Manmunai 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 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 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 Deficiencies

	Audit Observation	Recommendation	Comments of the Accounting Officer
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(a)	Court Fines for the year under review amounting to Rs.3,969,646 had not been accounted for.	Action should be taken to identify the correct value and accounted for.	The arrears value was not stated because the arrears could not be calculated accurately.
(b)	Stamp duty of Rs.4,755,101 was not accounted for.	Action should be taken to identify the correct value and accounted for.	The arrears value was not stated because the arrears could not be assessed accurately.

1.3.2 Accounts Payables

	Audit Observation	Recommendation	Comments of the Accounting Officer
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	A sum of Rs. 1,873,377 has been shown under the expenditure creditors but has not been settled so far.	Need to settle quickly.	I would like to inform you that steps will be taken to rectify this balance in a proper manner.

1.3.3 Lack of Written Evidence

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Five subjects of accounts amounting to Rs.74,654,941 could not be satisfactorily verified during the audit due to non-submission of land deeds, asset documents, inventory register and proof for the ownership.	Evidence for the items should be submitted.	I would like to inform you that we maintain the Fixed Assets Register, Inventory Records in our Sabha but as it does not have the correct information, therefore, we will take appropriate action in future to obtain the Deeds and Confirmation Documents on the Fixed Assets and to maintain the above mentioned books in a proper manner.
(b) Salary repayment amount of Rs.2,234,160 shown in the final accounts as arrears, evidences for verify that amount was not submitted.	Should be rectified as soon as possible.	Action will be taken to rectify soon.

1.4 Non-compliances

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

Audit Observation	Recommendation	Comments of the Accounting Officer
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Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance
-----	Rs.	-----
(a) Financial Regulation 41(C) of the Democratic Socialist Republic of Sri Lanka	1,199,000	Even though approval of the Secretary to the Ministry should be obtained before purchasing motor vehicles, without such approval a vehicle was purchased.
		These procedures should be followed in the future.
		Appropriate procedures will be followed to ensure that such actions do not occur in the future.

(b) Section 5.2 of the National Budget Circular No. 1/2016 dated 17 March 2016 of the Ministry of Finance.		The cab had been purchased without prior approval.	Prior approval should be obtained in the future.	Appropriate procedures will be followed to ensure that such actions do not occur in the future.
(c) Government Procurement Guidelines of 2006 (i) Guidelines 2.11.1 (c)	1,924,275	Although a preliminary meeting was to be held jointly with the Procurement Committee and the Technical Committee to agree on the Procurement Schedule, Procurement Scheme and Bidding Type in the Procurement Process, no such meeting was held.	Procurement guidelines should be followed.	I would like to inform you that, in terms of Section 2.11.1 (c) of the Procurement Guidelines 2006, both the above Committees will jointly hold their first meeting and take decisions in the future.
(ii) Guidelines 3.4(f)	1,099,650	The responsibility for submitting applications for bids should be disclosed, but on the contrary, bids were called.	Should be formalized in the future.	I would like to inform you that the correct bidding process will be followed in accordance with Guideline 3.4 (f) of the Government Procurement Guidelines 2006 in the future.
(iii) Guideline 2.14.1 of additional 34 published on 09 July 2018		Prior approval should be obtained from the Secretary to the Ministry for repair on motor vehicles for more than Rs.200,000. Nevertheless, contrary to this, the Sabha repaired the vehicle bearing number 53-8521.	The right course of action must be followed in the future.	The financial procedures will be followed in accordance with Section 2.14.1 of the 34th Appendix dated 09 July 2018.

1.4.2 Non-Compliances with Tax Requirements

Audit Observation	Recommendation	Comments of the Accounting Officer
Contractors were paid VAT of Rs.740,586 for the last 5 contracts completed during the last and review year but did not receive a VAT Invoice from those suppliers. Also, the Inland Revenue Department and the Auditor General had not been informed about the value added tax paid.	In the future, these activities should be followed in a formal manner.	Appropriate procedures will be followed to ensure that such actions do not occur in the future.

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. 4,295,664 when compared with the revenue over recurrent expenditure of the preceding year amounted to Rs.4,190,480.

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	Listed Revenue	Recovered Revenue	Arrears as at 31 December	Estimated Revenue	Listed Revenue	Recovered Revenue	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	-	--	--	--	-	--	--	--
Rental	3,011,052	3,011,052	3,011,052	--	2,000,000	4,379,628	4,379,628	-
Licence Fee	1,024,061	1,024,061	1,024,061	--	1,250,000	1,264,365	1,264,365	--
Other Revenue	37,065,372	37,065,372	38,457,841	--	8,500,000	3,661,077	3,661,077	-
	41,100,485	41,100,485	42,492,954	-	11,750,000	9,305,070	9,305,070	-

2.2.2 Performance of Revenue Collection

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Billed Revenue -----		
As the amount received for the year is treated as the income of the year without calculating the revenue billed by the Sabha, the balance due is not presented in the financial statements.	Appropriate action should be taken to account the receivable income for the year under review.	The non-fixed income for the year under review was not mentioned in the financial statements.
(b) Rates and Taxes -----		
The Sabha had decided to levy Rates and tax under Section 134 (1) of the Pradeshiya Sabha Act No. 15 of 1987, but had not gazetted the areas within the Sabha's jurisdiction as developed areas and levied rates and tax for the year under review.	Action should be taken to recover Rates and Taxes.	I would like to inform you that appropriate action will be taken in the near future.

3. Operational Review

3.1 Human Resource Management

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Vacancies and Excesses in Posts -----		
There were two librarians approved for the 07 libraries belonging to the Sabha but one vacancy had not been filled so far.	Action must be taken immediately to approval for the cadre.	The reason for the lack of librarians for these libraries is that the number of staff is not approved.
(c)		
Although the approved number of drivers for the 16 vehicles belonging to the Sabha was 06, no action had been taken to fill the vacancies as there were only 02.	Action should be taken to fill the vacancies.	There are 04 driver vacancies in the Sabha but the vacancies have not been filled up even though letters have been sent to the relevant higher authorities on several occasions to fill the vacancies.

3.2 Operational Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
When the council leased property, it had signed agreements without guarantees.	Action should be taken to obtain Property guarantee when leasing a properties.	In the future, action will be taken to obtain property, as a guarantee.

3.3 Assets Management

3.3.1 Maintenance and Repairs

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Action had not been taken to marked and repaired or removed from the books at the storeroom regarding assets and inventory items, both suitable and unsuitable for use.	These activities should be followed in the future.	We will take action to sell by obtaining formal approval from the Survey Board reports of the Sabha.
(b) One hand tractor, 02 land vehicles, 02 tractor trailer belonging to the Sabha which can be used after repairs but have not been repaired for more than 04 or 05 years.	Follow the instructions of the Mechanical Engineer and take necessary action.	One Hand Tractor, 02 Land Vehicles and 02 Tractor Trailers belonging to the Sabha could have been repaired and used, but vehicles other than one Hand Tractor have been repaired and put into operation. One Hand Tractor is not repairable and I would like to inform you that the vehicle will be sold after obtaining the report of the Mechanical Engineer.
(c) A hand tractor, a tractor trailer, etc. have been idle since 2011 and 2015 but have not been disposed of or sold.	Follow the instructions of the Mechanical Engineer and take necessary action.	I would like to inform you that the vehicle will be sold after obtaining the report of the Engineer.

3.3.2 Failure to Obtain Income due from Assets

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Approximately Rs. 99,000 had been lost due to non-lease of four shops belonging to the Sabha.	Action must be taken to lease anyway.	These shops will be leased out in the future.

3.4 Procurement

3.4.1 Procurement Plan

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
The council did not prepare a procurement plan.	A proper procurement plan should be prepared and action should be taken according to that.	Action will be taken to prepare a procurement plan for supply and services in future.