

Kattankudy Urban Council - 2017
Batticaloa

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year 2017 had been submitted to Audit on 29 March 2018 and the report of the Auditor General had been furnished to the Chairman on 13 September 2018.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in Paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Kattankudy Urban Council as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following accounting deficiencies are made.

- (a) According to the cash book Rs.11,035,346 was spent for the purchase of land and buildings, but Rs.11,257,906 was shown for the purchase of land and buildings. Due to this, Rs.222,560 had been shown in excess in the Financial Statement.
- (b) Rs.5,405,000 capital expenditure on purchase of vehicle had been debited without purchasing a vehicle. Increasing the value of accumulated fund without physical assets, the authenticity and elegance of financial statements had not been shown.

1.3.2 Accounts Receivable and Payable

The following observations were made.

- (a) No action had been taken to settle the arrears amount of Rs.6,642,880 to the Water Supply and Drainage Board for over 22 years and as well as it had been shown continuously in the financial statements.
- (b) No action had been taken to recover the advance payment of Rs.2,399,352 to Ceylon Electricity Board in 1991. As well as it had been shown continuously in the financial statements.

- (c) Action had not been taken to recover Rs. 39,276 of arrears of loans given to 4 employees who had retired, left the posts, and died from the pension gratuity or guarantors even by 31 December 2017

1.3.3 Lack of Evidence for Audit

The evidence indicated against the following items of accounts shown in the financial statements had not been furnished to audit.

Items of Account -----	Value -----	Evidence not made available -----
	Rs.	
Land	15,820,000	Land Deed
Refundable Deposits	15,275,877	Detail Schedule

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, the excess of Revenue over Recurrent Expenditure for the year ended 31 December 2017 had amounted to Rs.11,504,832. Compared to this, the excess of Revenue over Recurrent Expenditure for the previous year amounted to Rs.8,092,846 thus indicating an increase of Rs.3,411,987 in the financial results.

2.2 Revenue Management

2.2.1 Arrears of Revenue

The following observations were made.

(a) Rate and Taxes

Even though the arrears of Rate and Tax in the year 2016 and 2017 were respectively Rs.6,358,166 and Rs.8,461,186, which of the arrears amount of tax is increasing annually, no proper effective action had been taken on this, by the Sabha.

(b) Business License

No action had been taken to recover the business tax amounted to Rs.19,500 even by the year under review.

3. Operational Review

3.1 Performance

(a) Sustainable Development Goals

According to resolutions at the 2015 Sustainable Development conference chaired by the Head of States of United Nations, no action had been taken to develop measurable indicators for the development Agenda to be achieved by the Sabha by 2030.

(b) Solid Waste Management

Although a building had been constructed at a cost of Rs.8,394,228 during the year 2015 under Pilisaru Project Fund for Solid Waste recycling activities, the solid waste being collected by the Council is dumped at the river bank within the boundaries of the Council. The environment is greatly polluted by this activity. However, any constructive action had not been taken by the management to control the problems.

4. Accountability and Good Governance

4.1 Unresolved Audit Paragraphs

Reference is given below regarding the unresolved audit paragraphs containing the irregularities and deficiencies indicated in the Auditor General's Report relating to the Council.

(a) The ferry of passenger transport service between Kinniya and Trincomalee was brought to Katankudy to be used as a passenger transport service between Katankudy and Kokkatticholai by incurring a cost of Rs.323,550. And also Rs.489,500 was spent for the repair of the ferry by the Katankudy Divisional Secretariat. However, it had idled until 15 September 2017.

(b) The monthly contribution of Rs.2,375,058 to the Local Government pension scheme from 1995 to 2013, had not been settled to date.

(c) Transaction that are not supported by sufficient power

The plowing machine valued at Rs.600,000 was donated to the Kattankudy Urban Council in 1992 and which was not used till 31 December 2014. The Council had spent a total of Rs.315,203 to repair it in 2012. But it had been auctioned by the Secretary of the Council for only a sum of Rs.16,150 without regard to the conditions specified in the Public Finance Circular No.02/2015 dated 10 May 2015.

(d) Recruitment of Employees on Contract Basis

Although the approved position was already overstated by 25 officers, 77 employees had been appointed by the Council on a request made by the Chief Minister of the Eastern Province, without getting a prior approval from Department of Management Services and approval for allocation of funds as per Public Administration Circular No.25/2014 during the years 2015, 2016 and 2017.

(e) Not sent of Contribution to the Public Service Provident Fund

However, the contributions of 77 employees recruited in 2015, 2016 and 2017 had not been deducted from their salaries and sent to the Public Service Provident Fund, as per Circular No.2/2011 of 24 February 2011 of the Director General of Pensions.

(f) Renting the library building

Although the monthly rental of the library building rental is estimated at Rs.125,000 by the Valuation Department, the Council leased the building in 2014 to a private educational institution for a monthly rent Rs.5,000 as a result, monthly rental income of Rs.4,755,000 had been lost by the Council.

4.2 Systems and Controls

Special attention is required in respect of the following items of systems and controls.

	Controls	Items that need special attention
(a)	Accounting	Receivables and payables should be accounted for.
(b)	Revenue Management	Recovery of Arrears of revenue
(c)	Solid Waste Management	Taking action to recycle the solid waste.