

Kanthale Pradeshiya Sabha  
Trincomalee District  
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1. Financial Statements  
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1.1 Presentation of Financial Statements  
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The Financial Statements for the year 2017 had been submitted for the audit on 19 March 2018 and the report of the Auditor General had been sent to the Chairman on 28 September 2018.

1.2 Qualified Opinion  
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In my opinion except for the effect on the matters described in paragraph 1.3 of this report, Financial Statements give a true and fair view of the financial position of the Kanthale Pradeshiya Sabha 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  
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1.3.1 Accounting Policies  
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Accounting Policies used to prepare the Financial Statements had not been disclosed with the financial statements

1.3.2 Accounting deficiencies  
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The followings were observed.

- a. Although the value of the town hall built on the year 2017 amounted to Rs.70,671,580, it was accounted as Rs.72,000,000 and as such the buildings were overstated by an amount of Rs.1,328,420.
- b. Although an amount of Rs.267,124 should be paid to the Local Government Pension Contribution Fund as at 31 December 2017, it was shown as Rs.204,960 and as such Current Liabilities had been understated by an amount of Rs.62,164.
- c. Although retention money amounted to Rs.7,903,352 should be paid to the Contractors, it was shown as Rs.7,874,938 and as such the Current Liabilities amounting to Rs.28,414 had been understated.

1.3.3 Non-compliance of Laws, Rules, Regulations and Management Decisions  
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Instances of non-compliance with Laws, Rules, Regulations and Management decisions are shown below.

Reference to the Laws, Rules,  
Regulations and Management  
Decisions.

Non - compliance

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| (a)  | Rule 59 of 1988 of Pradeshiya Sabha (Financial and Administration)          | A Register had not been prepared after survey at the beginning of every year regarding the business and industries within the authority area of the council. |
| (b)  | Financial Regulation 396 of the Democratic Socialist Republic of Sri Lanka. | Action had not been taken relating to 17 cheques amounted to Rs.348,336 which were issued for payments exceeding 6 months.                                   |
| (c). | Public Administration Circular No.30/2016 dated 29 December 2016            | Fuel consumption of 13 vehicles belonging to the council had not been checked.   |

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, the Revenue over Recurrent Expenditure of the Council for the year ended 31 December 2017 amounted to Rs.9,878,731 when compared with the corresponding Revenue over Recurrent Expenditure for the preceding year amounted to Rs.2,959,735.

2.2 Income Administration

2.2.1 Estimated Income, Billed Income, Collected Income and Arrears of Income

The details of the Estimated Income, Billed Income, Collected Income and Arrears of Income for the year under review and the preceding year are shown below.

Source of Income	Estimated Income	<u>2017</u>			<u>2016</u>			
		Billed Income	Collected Income	Arrears due on 31 December	Estimated Income	Billed Income	Collected Income	Arrears due on 31 December
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
(i) Rates and Tax	4,300	3,759	3,830	9,471	2,800	3,607	2,708	9,563
(ii) Rent	15,625	4,976	8,294	2,881	7,730	6,512	2,766	1,959
(iii) License Fees	1,851	5,051	1,080	-	1,103	915	750	-
(iv) Other Income	8,160	12,070	6,891	10,906	8,556	195	6,471	6,585

## 2.2.2 Rates Tax

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Action had not been taken to collect rates tax amounting to Rs.10,009,718 relating to 7 Assessment Divisions.

## 2.2.3 Rent

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Action had not been taken to collect arrears of shop rental due from nearly 7 years amounting to Rs.1,917,004.

## 2.2.4 Stamp Fees

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Action had not been taken to identify and collect the stamp fees from the Chief Secretary of the Eastern Provincial Council for the years 2016 and 2017 even up to 2018 August 2018.

## 3. Operational Review

### 3.1 Performance

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Following were revealed after the analyzing the execution of activities by the Pradeshiya Sabha in accordance with Section 3 of Pradeshiya Sabha Act such as Regulation of Health of the General Public, Common Utility services and Public Road Facilities and Maintenance of People's Prosperity, Welfare and Development.

#### a. By-laws

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Although by laws should be enacted for 28 main activities according to Section 126 of Pradeshiya Sabha Act, such by laws were only enacted for 11 activities up to 31 December 2017.

#### b. Action Plan

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According to the Public Finance Circular No.01/2014 dated 17 February 2014 an annual Action Plan for the year 2017 had not been prepared .

#### c. Solid Waste Management

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Although 150 tons of garbage is removed within the authority area of the Council monthly, action had not been taken to discard the said amount of garbage as per recommendations of the Central Environmental Authority. Therefore, various environmental problems such as eating of the garbage by the various wildlife of the area have been arisen. Although area 12 ½ acres land in the Suriyapura had been provided to the council by the Mahaweli authority, action had not been taken by the council even up

to 01 August 2018 to bound the area in an electrical fence and properly discarded the garbage to protect from the wildlife.

d. Environmental Problems

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In terms of the provisions of Section 23A of the National Environmental Act No. 47 of 1980 as amended by the Act No. 53 of 2000 and Act No. 56 of 1988, the environmental protection license should be obtained in the case of implementing enterprises such as rice mills, carpentry and cement-based industries. There were 84 such enterprises are operating in the area without obtaining licenses. The Sabha had not taken necessary action to solve those environmental issues.

e. Sustainable Development Goals

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The Council did not identify the Sustainable Development objectives, Goals and the relevant criteria contained in the Sustainable Development Act No. 19 of 2017 and no proper awareness about those.

3.2 Management Inefficiencies

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The following were observed

- a. A Revenue License had not been obtained for 13 vehicles belonging to the council for the year under review.
- b. According to the Planning Circular No. 15 issued by the Urban Development Authority on 18 November 1993, service charges for unauthorized constructions should be collected and credited to a savings account in Bank of Ceylon or the People's Bank, but the Sabha had deposited Rs. 1,084,980 in the general account.

3.3 Human Resource Management

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The following were observed

- a. Action had not been taken to collect employees Loans amounting to Rs.1,117,824 from 2 workers who had left or had been removed from service in accordance with the Section 4 of Chapter XXIV of the Establishment Code.
- b.
  - i. There was an excess of 6 workers in the posts of Driver, Security officer, and Library Service Assistant was seen.
  - ii. Action to fill 6 vacancies of Development Officer, Revenue Inspector, Machine Operator and a Work Inspector even up to 01 August 2018.

### 3.4 Management inefficiencies

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The following were observed

- a. Due to the inability to access the upper floor of the public market and the high rentals of these stalls, 25 stalls were unable to rent out. Therefore, the Sabha had lost approximately Rs. 900,000 in the year under review.
- b. Agreements were not signed relating to 25 shop rented out for the year 2017, as such it may be problematic to collecting arrears of rent in the future.
- c. Agbopura public library had failed to give proper service to the public due to the lack of new books, lack of sanitary facilities and not taking action to increase the number of members.

### 3.5 Asset Management

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#### a. Underutilized Assets

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the following were observed

- i. Action had not been taken to repair or to dispose discard 3 vehicles which were unable to use and belonging to the Sabha and parked in the garage of the Sabha up to August 2018.
- ii. Nanasala Computer Center which had been sponsored by the Sri Lanka Information Communication Technology Agency and opened in 2014 had been closed down from 2015, and as such computers, furniture, and other equipment had been left idle. As a result facilities to gain knowledge on communication technologies were lost to the children of the rural area.

#### b. Annual Board of Survey

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Action had not been taken in accordance with the recommendation of the Annual Board Survey dated 27 March 2018 to repair 09 types of goods, to sell 34 types of goods and to discard 77 books even up to 01 August 2018.

### 3.6 Procurement

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#### 3.6.1 Procurement Plan

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A procurement plan had not been made by the council for the year under review as per the National Budget Circular No.128 dated 24 March 2006.

#### 3.6.2 Offering Contracts for Community Organization

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Although the highest contract value to be given for community based organizations were amounted to Rs.2,000,000 as per Finance Commission Circular No. FC/3/3/2013 dated 26 July 2013, but contracts were given to 04 Community-based organizations against the above circular.

### 3.6.3 Implementation of Projects under the National Program of Strengthening Pradeshiya Sabha

Following were observed relating to the projects started by the Sabhaon the year 2016 with a total estimation of amounting of Rs.1,528,508 to repair of the fair in 93 junction and the repair of the public toilet near Kanthale lake Dam.

- a. A contract amounting to Rs.999,224 had been given to a community-based organization on 10 August 2016 relating to the repair of the fair of 93 junction. Although an amount of Rs.436,074 had been paid to the community based organization, the work was not finished even up to 01 August 2018.
- b. Repair work estimated at Rs.529,284 of the restroom near the Kanthale lake dam was started at the area of providing sanitary facilities for tourists visiting the Kanthale lake. But obtaining a water supply and finalizing the construction of the interior of the toilet system had not been done even up to 01 August 2018.

## 4. Accountability and Good Governance

### 4.1 Budgetary Control

A range of difference 4 per cent to 214 per cent was observed between the budgeted income and expenditure of the year under review and as such indicating that the budget had not been used as an effective tool of financial control.

## 5. System and Control

The special attention of the Sabha should be drawn to the following areas of system and control.

System	Weakness
a. Accounting	(i) Weaknesses in accounting of assets (ii) Subsidiary Ledgers were not maintained
b. Income Control	Arrears of income were not collected
c. Fixed Asset Control	(i) An asset Register was not maintained (ii) Action had not been taken to use idle assets in fruitful activities.
d. Contract Administration	Making payments after activities were completed as per contracts
e. Human Resource Management	Recruitment of excess cadre.