

**Kalmunai Municipal Council**

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**Ampara District**  
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**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 and detailed management report was sent to the Council on 29 May 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 Kalmunai Municipal Council as at 31 December 2019 and its financial performance for the year then ended in accordance with the Generally Accepted Accounting Principles.

**1.3 Basis for Qualified Opinion**

**(a) Accounting Policies**

Audit Observation	Recommendation	Comments of the Accounting Officer
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The accounting policies adopted for the preparation of financial statements were not disclosed in the financial statements.	The accounting policies adopted for the preparation of financial statements should be disclosed in the financial statements.	From this year onwards, I will focus on the accounting policies that are followed in the preparation of financial statements.

**(b) Accounting Deficiencies**

Audit Observation	Recommendation	Comments of the Accounting Officer
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(i) Fees payable to the Karaitivu Pradeshiya Sabha for the period 2011-2015, for the disposal of solid waste amounting to Rs. 3,023,329 was not mentioned in the financial statements.	Payments are to be included as a liability in financial statements.	The Karaitivu Pradeshiya Sabhas had not informed us of the required documents and details in this regard. Therefore, no attention had been paid to this matter. However, Rs.500,000 was paid during the period under review.

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| (ii)  | Rs. 450,000 due as bicycle protection tax revenue for the year 2018 was not mentioned in the accounts.   | Receivables revenue should be included in the financial statements.          | Measures have been taken to recover the amount that can be recovered from the relevant arrears and to write-off the remaining amount after obtaining the necessary approval.  |
| (iii) | As per the recommendation of the Annual Commodity Survey Board for the year 2018, 1,240 library books out of 199 items destroyed in the year under review and 82 items sold for Rs.155,595 had not been removed from the financial statements. | The value of the items removed must be adjusted in the financial statements. | In the preparation of the financial statements, the removed value was not removed from the financial statement for the year under review as it was not received correctly. I will correct that in the next financial statement. |
| (iv)  | Rs. 4 million in interest receivables on Rs. 32 million in fixed deposits had not been disclosed in the financial statements as income.  | Interest income must be disclosed in the financial statements.               | Added with deposit amount.  |

**(c) Unreconciled Accounts**

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer</b> -----
According to the balances and documents of 07 revenue accounts, the total unreconciled balance between the balances was Rs. 39,399,166.	Accounts should be compared and corrected.	Action will be taken to rectify this.

**(d) Lack of Documentary Evidences for Audit**

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer</b> -----
Land deeds and fixed assets register for lands and buildings worth Rs.119,239,000 had not been submitted for audit.	Evidence should be presented verifying the balances stated in the financial statements.	Deeds for the lands had not been received.

## 1.4 Non-compliances

### Non-Compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, Regulations and Management Decisions	Non-Compliances	Recommendation	Comments of the Accounting Officer
(a) Section 218 of the Municipal Councils Ordinance	The detailed report on the administration to be prepared for each financial year had not been prepared for the year under review.	Action should be taken to prepare in accordance with the relevant Act.	This is the job of the mayor. In the past, it was not known that such reports were prepared by mayors. However, I would like to inform you that the Mayor will prepare and submit such reports in the future.
(b) Financial Regulations 571 of the Democratic Socialist Republic of Sri Lanka	Rs.28,323,057 of deposits over two years had not been dealt with.	Must comply with financial regulations.	Arrangements have been made to transfer to the revenue account .

## 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. 18,437,411 when compared with the revenue over recurrent expenditure of the preceding year amounted to Rs. 4,843,893.

### 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 Source	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. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Rates and Taxes	11,100	21,231	25,460	90,465	11,100	12,349	9,222	94,693
Rental	19,980	17,623	17,202	39,544	19,980	15,592	15,261	39,123
License Fee	9,705	10,868	10,868	--	9,705	8,491	8,491	--
Other Revenue	<u>45,275</u>	<u>56,725</u>	<u>55,455</u>	<u>1,269</u>	<u>45,275</u>	<u>34,435</u>	<u>34,435</u>	<u>--</u>
	<b><u>86,060</u></b>	<b><u>106,447</u></b>	<b><u>108,985</u></b>	<b><u>131,278</u></b>	<b><u>86,060</u></b>	<b><u>70,867</u></b>	<b><u>67,409</u></b>	<b><u>133,816</u></b>

## 2.2.2 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
According to Section 252(1) (b) of the Municipal Councils Ordinance, Rs.91.6 million rupees of rates and tax had not been levied on 47,900 immovable property and lands in the Municipal Council area for more than a year.	Action should be taken to recover the arrears within the relevant period.	Measures have been taken to charge as much as possible for timely advertisements to the persons concerned and Rs.24,228,718 have been recovered in the year 2019.

## 2.2.3 Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Rs.12,314,393 of public market lease arrears, Rs. 7,661,912 of butcher shops lease arrears and Rs.13,657,443 of shop rent arrears, which had been in arrears since 1987, continued to appear in the financial statements without action being taken action to recover or write-off from the books.	Action must be taken to charge or do something appropriate.	Action will be taken to write-off
(b) Rs.3,394,613 of bicycle and vehicle safety taxes, which have been outstanding since 1996, continued to appear in the financial statements without recovery.	Action must be taken to charge or do something appropriate.	Action will be taken to write-off
(c) The arrears of 64 shops in the public market was Rs.5,130,143, which had not been recovered for more than 8 years.	Action must be taken to charge or do something appropriate.	The arrears have become difficult to recover as these shops have to be repaired.

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| (d) | Although the rent for the private stalls adjacent to the public market ranges from Rs. 10,000 to Rs. 20,000 per month, The council had lost about Rs. 60 million annually in revenue due to the fact that these new stalls had been rented out from 1980 to Rs. 500 to Rs. 4,000 per month without any bidding. | New tenants need to be found through tendering. | Rents have been increased since 2020.                      |
| (e) | The general market arrears, fish market arrears and car park arrears for the year 2019 were Rs.1,310,750, Rs.276,000 and Rs. 1,218,100 respectively.  | Action should be taken to recover the arrears.  | Action will be taken to recover the arrears in the future. |

#### 2.2.4 Stamp Duty

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Audit Observation	Recommendation	Comments of the Accounting Officer
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Although stamp duty should be levied annually as per Section 3 of the Stamp Duty Amendment Act No. 06 of 2010 of the Eastern Provincial Council, no action had been taken to calculate and recover the stamp duty collected from the Kalmunai District Land Registrar's Department and the Eastern Provincial Revenue Department for the year 2018 and 2019.	Relevant stamp duty should be charged for the year 2018, 2019.	It is difficult to obtain the details of stamp duty for the year 2019 from the District Registrar's Office.

### 3. Operating Review

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#### 3.1 Performance

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In accordance with Section 4 of the Municipal Council Ordinance, the following observations are made regarding the functions to be performed by the Council such as regulating and control of public health, public utility services and public roads, and public convenience and welfare.

#### (a) By-Laws

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Audit Observation	Recommendation	Comments of the Accounting Officer
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Although sub rules are to be implemented in respect of 20 key matters in terms of Section 272 of the Municipal Council Ordinance, sub rules relating to this special matters had not been prepared even by 31 December 2019.	By-laws must be enacted.	Sent to the Local Government Commissioner for approval .

(b) **Action Plan**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
An annual action plan had not been prepared.	An annual action plan should be prepared.	Action will be taken in the future.

(c) **Solid Waste Management**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
The Recycling Center, built by Italian Overseas in 2007, has not undergone any recycling since its inception.	The Plastic Recycling Center needs to be activated to make efficient use of it.	When sorting waste for fertilizer production and recycling at the Fertilizer Production Center, due to the inadequacy of plastics, due to the poor condition of the roads and the inability to move our vehicles on the main road to collect the solid waste collected at the Fertilizer Production Center, less recycling machines have to be deployed.

(d) **Sustainable Development Goals**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
According to the Sustainable Development Act No. 19 of 2017, all public institutions were required to act in accordance with the United Nations Agenda for 2030, but no action had been taken to identify and implement the relevant goals.	Identify goals and set indicators for measurements and work to achieve them.	These matters have been brought to the attention of the Mayor.

3.2 **Management Inefficiencies**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
No action had been taken to take over of the land where the office building, public library, public fair, playground, car park, fertilizer recycling center and slaughterhouses are located.	Action should be taken to take over the ownership of the relevant lands.	Necessary action has been taken in this regard.

(b)	Ownership of 37 motor vehicles and machinery had not been taken over.	Action should be taken to acquire ownership of motor vehicles and machinery.	Action has been taken to take over the ownership of the vehicles.
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### 3.3 Human Resource Management

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Audit Observation	Recommendation	Comments of the Accounting Officer
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There were 48 vacancies and 03 excesses in the approved cadre.	Action should be taken to fill the vacancies as required.	Action will be taken through the Eastern Province, Commissioner of Local Government.

### 3.4 Transactions with Contentious Nature

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Audit Observation	Recommendation	Comments of the Accounting Officer
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Two shops in the United Square building complex have been leased to two members of the Council since March 2018 in violation of Section 180 of the Act.	Must act in accordance with the Municipal Councils Ordinance.	Letters have been sent to two members of the Council to reclaim the leased stalls.

### 3.5 Assets Management

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#### 3.5.1 Assets not Documented

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Audit Observation	Recommendation	Comments of the Accounting Officer
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A fixed asset register were not maintained, and temporarily maintained files did not include information on 2019 asset purchases and disposals.	Relevant documents should be maintained.	I will correct this in the future.

#### 3.5.2 Failure to Perform Maintenance and Repairs

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Audit Observation	Recommendation	Comments of the Accounting Officer
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Although 10 motor vehicles and machinery have been out of repair for more than a year, no action had been taken to repair them and dispose of 22 vehicles and machinery that were in a state of disrepair.	Proper action must be taken.	Action has been taken to obtain the approval of the Commissioner of Local Government to obtain permission to repair repairable vehicles of the Council and to identify non-repairable vehicles and auction them with the approval of the Council.

**3.5.3 Idled/ Under Utilized Assets**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
(a) The fire brigade's safety equipment, fire extinguishers, water pipes and fittings had not been repaired for more than two years and the public service could not be provided.	Should be utilized for public welfare.	I will correct this in the future.
(b) Rs.26,780,072 and Rs.8,267,830 were spent for the construction of children's beach parks in Kalmunai and Sainthamarudu areas respectively. But they were not used and the equipment and supplies were unsafe.	Children's beach parks should be utilized and the equipment and goods installed there should be protected.	Employees have been assigned to guard the park since its construction. The fence, which was built over the sea, was removed on the instructions of the Department of Coastal protection, making it difficult to maintain. Its fixtures were deliberately damaged by some people. However, it has been submitted for council approval to renovate the park this year.

**3.6 Procurement**  
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**3.6.1 Procurement Plan**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
A procurement plan for supplies and services had not been prepared.	Action should be taken to prepare a procurement plan.	Action will be taken to prepare a procurement plan in the future.

**3.6.2 Supplies and Services**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
In the year 2019, bids were called for the purchase of 05 computers and bids were received from 05 institutions and purchased from one institution. However, the other companies that got the price were the ones that had been closed for a long time and were not in the computer business.	When calling for bids, you need to confirm that the relevant agencies are involved in the distribution of the goods.	The companies that obtained the bids for this purchase are the companies registered with the Municipal Council and the purchasers have made the purchases in accordance with the procurement guide by obtaining the prices by registered mail and submitting the bids as per the supply document of the registration of the Provincial Council.



#### 4 Accountability and Good Governance

##### 4.1 Internal Audit

###### Audit Observation

The Internal Audit Division had not conducted an audit for the year 2019.

###### Recommendation

Internal audit needs to be strengthened.

###### Comments of the Accounting Officer

Corrections are currently being made and other audits are underway.

##### 4.2 Audit and Management Committee

###### Audit Observation

No Audit and Management Committee meetings were held for the year under review.

###### Recommendation

Arrangements should be made to hold Audit and Management Committee meetings.

###### Comments of the Accounting Officer

Necessary arrangements have been made to start next year.

##### 4.3 Unresolved Audit Observations

###### Audit Observation

(a) Although 06 cheques amounting to Rs.544,154 were deposited and dishonored in the bank in 2012 in respect of the butcher shop lease security deposits, no action had been taken in this regard.

###### Recommendation

Dishonored cheques must be cashed.

###### Comments of the Accounting Officer

There were not enough documents in this regard.

(b) Although a payment of Rs. 123,000 was made in 2013 for the preparation of advertisement boards on office structure, the relevant advertisement boards have not been installed so far.

Action should be taken to install the relevant board.

I will work on this in the future.

(c) Funds provided in 2009 under the Provincial Specific Development Grants for development activities were not utilized for the relevant purpose and Rs. 03 million was deposited in fixed deposits and Rs.2,468,590 in current accounts.

Arrangements should be made to use the funds provided for the relevant purpose.

I will take action to withdraw funds from fixed deposits and utilize them for future development projects in the province.

(d) Although it was stated that the equipment for the school children was purchased for Rs. 124,969 using council funds and handed over to a college on 30 June 2015, it was revealed that the items had not been received by the relevant school.

Necessary action should be taken in this regard.

Action has been taken to send letters to the former Municipal Councilor requesting him to submit evidence that the above items were obtained by the relevant school and if he fails to do so, action will be taken to recover the amount.