

Kalmunai Municipal Council**Ampara District****1. Financial Statements****1.1 Presentation of Financial Statements**

Financial Statements for the year 2016 had been submitted to Audit on 06 June 2017 and financial Statements for the preceding year had been submitted to Audit on 21 June 2016 respectively while the Auditor General's Report relating to the year 2016 was sent to the Commissioner of the Municipal Council on 12 October 2017.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Kalmunai Municipal Council as at 31 December 2016 and its financial performance for the year then ended in accordance with generally accepted Accounting Principles.

1.2 Comments on Financial Statements**1.3.1 Accounting Deficiencies**

Accounting policies used for preparation of accounts had not been disclosed in the financial statements.

1.3.2 Accounting Deficiencies

Following observations are made.

- (a) As per the Ledger account, the Advance Account was amounted to Rs. 40,259,540 as at 31 December 2016 and this balance had been understated in the financial statements by Rs. 1,326,606.
- (b) As per the balance confirmation letter obtained, even though a sum of Rs.2,854,802 should be payable by the Municipal Council to the Karaithivu Pradeshiya Sabha for solid waste management as at 31 December 2016, that amount was not brought to the accounts.
- (c) Fifteen vehicles received as donation and 04 computers received as donations under the "Nenasala" program to the Municipal Council had not been assessed and bought to account.

1.3.3 Receivable Accounts

Following observations are made.

- (a) Arrears of Common Market rent Rs. 12,314,393, meat stall rent Rs.5,979,594, shop rent Rs. 13,540,408 which were outstanding from the year 1987 and had been continuously shown in the financial statements without being taking action to write-off from the books.
- (b) Bicycle and vehicle safety tax of Rs. 3,325,163 which were not recovered from the year 1996 up to date and had continuously shown in the financial statement without being taking action to recover or write- off from the books.

1.3.4 Lack of Evidence for Audit

The evidences referred against the following items shown in the financial statements were not submitted to audit.

Item	Value	Evidence not submitted
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	Rs.	
Building	119,239,060	} Fixed Assets Register Register of arrears rent
Furniture and Fittings	4,751,565	
Machineries and equipment	5,086,250	
Motor vehicles and Carts	11,130,013	
Arrears of Common Market Lease Rent	12,314,393	

1.3.5 Non-compliance with Laws, Rules, Regulations etc.

Instances of following non-compliance with provisions in Laws, Rules and Regulations were observed.

Reference to Laws, Rules and Regulations	Non-compliance
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(a) Urban Council Ordinance Chapter 252, Section 218	The detailed report, which should be prepared by the Commissioner for each financial year regarding administration, had not been prepared for the year 2016.
(b) Ministry of Finance and Planning Circular No. 03/2014 dated 30 December 2014.	A sum of Rs. 39,520 had been paid in the year 2015 contrary to the circular for international call charges and internet facilities of the Chairman of the Municipal Council but that amount had not been recovered from him even up to 25 September 2017.

- (c) Urban Development Authority Circular No. 15 of 18 November 1993. Even though all Local Authorities should open a bank account in the name of “Urban Development” and service charges and fine charges should be deposit in that account, action had not been taken by the Municipal Council to open such an account.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue over recurrent expenditure for the year ended 31 December 2016 amounted to Rs.21,251,122 as compared with the revenue over recurrent expenditure of the preceding year amounted to Rs.10,716,308. As compared with the preceding year it showed an improvement of Rs.10,534,814 in the financial results for the year under review.

2.2 Revenue Administration

2.2.1 Rates and Taxes

Following observations are made.

- (a) According to Section 252(1)(a) of the Urban Councils Ordinance, even though the rate and taxes of Rs.105,113,556 had to be recovered from the 45,545 property owners who are living in the Council area from the year 1988 until the end of the year under review, Rs. 14,128,416 representing 13 per cent only had been recovered.
- (b) A sum of Rs.2,425,540 had been paid as salary for 05 permanent and 03 temporary employees who had been appointed to collect the assessment tax, but they were able to recover only an arrears income of Rs. 3,028,416 in the year under review. Nevertheless, the responsible officer had not paid their sufficient attention in this matter.

2.2.2 Public Market Shop Rent

Arrears of shop rent amounting to Rs.5,130,143 had not been recovered for more than 06 years from 64 stalls out of 503 stalls in the public market belonging to the Municipal Council.

3. Operating Review

3.1 Management Inefficiencies

Following observations are made.

- (a) Even though 07 vehicles donated from other institutions have been used by the Council for more than 03 years, action have not been taken to transfer those to the name of the Council.
- (b) Action had not been taken to recover outstanding loan balance of Rs. 339,973 from 08 officers who were transferred two years ago even by 25 September 2017.

3.2 Idled Assets

Following observations are made.

- (a) Sabha owned 07 tractors, 04 trailers, one water bowser, motor grader and the escalator which can be used after repaired were remaining idled for more than 02 years without taking action for repair.
- (b) It was observed that 04 computers of the Natpitimunai library donated by the Sri Lanka Information Communication Technology Agency under the "Nenasala" program in the year 2014 had been idled without being using up to 25 September 2017.

3.3 Contract Administration

3.3.1 Children's Beach Park

Due to lack of water facilities for the toilet constructed in the children's park at Saindamarudhu on 10 January 2016 under the provision of NELSIP project at a cost of Rs. 768,148.00 was idled without being using up to 25 September 2017.

3.3.2 Fixing Air Conditioners to the Auditorium of the Public Library at Maruthamunai

The contractor had bought 14 air conditioners in December 2016 for a sum of Rs.2,864,400 as each Rs. 204,600 for the Marudamunai Public Library Auditorium. However, according to the written statement received to the audit, a private institution had agreed to provide and install one air conditioner under the same trade mark at a price of Rs.114,900. Accordingly, a sum of Rs. 1,255,800 had been over paid to the contractor.

3.3.3 Constructing a Tourist Information Centre in Kalmunai

A sum of Rs. 2,593,013 had been paid under development grants allocated to the Provincial Council during the year under review after recommendation made by the Technical Officer that the construction of the Kalmunai Tourist Information Centre had been completed on 04

April 2017. However, due to the non-completion of 04 jobs valued at Rs. 333,000, it was idling and could not be able to use for public up to 25 September 2017.

4. Accountability and Good Governance

4.1 Un replied Audit Queries

Replies for 19 audit queries out of 28 audit queries issued from the year 2011 to the end of the year 2016 had not been submitted up to date.

4.2 Unresolved Audit Paragraphs

Following observations are revealed.

- (a) Even though private stalls close to the public market have been leased out for a monthly rental from Rs. 10,000 to Rs. 20,000, the stalls belonging to the Municipal Council were rented out for a monthly rental from a range between Rs. 300 to Rs.2,500 from the year 1980. Nevertheless, an income of Rs. 60 million had been lost annually due to failure to increase the rent according to market conditions.
- (b) Even though the bank had dishonoured 6 cheques totalled Rs. 544,154 after deposited in the bank from the year 2012 to 2014 received as deposit for meat stall rental, action had not been taken in this regard.
- (c) Although a sum of Rs.123,000 had been paid in the year 2013 to prepare and install wooden name boards to direct each division of the office, the relevant boards were not prepared even up to 25 September 2017. However, action had not been taken in this regard.
- (d) From the provision made in the year 2009 for implementation of the development activities in the Province under the Development Assistance, a sum of Rs. 3 million deposited in fixed deposits and Rs. 2,468,590 deposited in current accounts. However, the funds had not been utilized for the development activities even up to date.
- (e) Even though the mobile phone bills of the Mayor of the Municipal Council for the 03 months from December 2014 to February 2015 totalled Rs.13,011 had been paid twice in the year 2015 and action had not been taken in respect of this payment.
- (f) Although it was stated that tools for learning for the students were purchased from the Municipal Council Fund to an amount of Rs.124,969 and had been handed over to the Kalmunai al-Ameen school on 30 June 2015, according to the written statement received from the Principal of the school, the items were not delivered to the school even by 25 September 2017.
- (g) Even though 09 works which were included in the Bill of Quantity amounted to Rs. 903,520 had not been completed by the contractor relating to the Wastewater Cleaning Project of the Islambad Tsunami Housing Construction Project in 2014, no

action had been taken that work after certifying that those were completed and make payment.

5. System and Control

Special attention should be made on following arears and matters mentioned against those.

Control Area	Matters to be made Attention
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(a) Fixed Assets Control	(i) Maintaining a fixed assets register. (ii) Taking action to utilize idled assets.
(b) Revenue recovery management	Taking action to recover arrears revenue.
(c) Solid Waste Management	(i) Collecting solid waste separately. (ii) Recovering solid waste charges.
(d) Human Resource Management	Proper Distribution of human resources.
(e) Inventory Control	Proper control of stores.