

Trincomalee Urban Council

Trincomalee District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented for audit on 27 March 2019. The report of the Auditor General and Management report for the year under review was issued to the Chairman of the Council on 30 May 2019, 31 May 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in the, basis for qualified opinion section of my report the financial statements give a true and fair view of the financial position of the Urban Council Trincomalee as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting principles.

1.3 Basis for the Qualified Opinion

1.3.1 Accounting Deficiencies

	Accounting Deficiency -----	Recommendation -----	Comments of the Accounting Officer -----
(a)	Interest income on fixed deposit amounting to Rs. 2,337,793 for the year under review had been brought to the Income Statement as Rs. 3,532,041. Therefore income for the year had been over stated by Rs. 1,196,248.	It should be accounted only interest income relevant to financial year.	Accepted
(b)	According to the Board of Survey carried out as at 31 December 2018, the total value of the General Stores Items amounted to Rs. 16,485,867 had been brought to the financial statement as Rs. 16,939,665. Therefore, the value of the general stores items had been overstated by Rs. 453,798.	It should be adjusted in the financial statement	Accepted
(c)	According to the staff loan register, the balance of the outstanding loans as at the end of the year under review amounting to Rs. 21,316,765 had been brought to the financial statements as Rs. 20,578,220. Therefore, the balance of the staff loan had been under stated by Rs. 729,545.	It should be adjusted in the financial statement	Reply will be given

(d)	The receivable income from the Rest House amounting to Rs. 1,103,310 for the year 2018 had not been brought to the financial statement.	It should be adjusted in the financial statement	Accepted
(e)	The Closing stock of drugs as at 31 December 2018 valued at Rs.132,098 and remained at stores of the Ayurvedic centre had not been brought to the financial statements.	It should be adjusted in the financial statement	Accepted
(f)	Constructed Buildings such as auditorium and fuel station by the Council at the total cost of Rs. 16,887,724 had not been shown in the financial statement under non-current assets.	It should be adjusted in the financial statement	Accepted
(g)	Buildings such as market complex, clinic center and fire brigade had not been valued and brought to the account.	It should be valued and brought to the financial statements.	Accepted
(h)	Receivable from Department of Local Authority as staff salary and members allowance aggregating Rs. 9,175,086 had not been accounted in current financial year.	It should be valued and brought to the financial statements.	Accepted
(i)	Stamp duty revenue Rs. 27,594,787 for the month of December 2018 had not been accounted for the year under review.	It should be valued and brought to the financial statements.	Accepted
(j)	Even though the Bank balance as per the cash book was Rs.15, 662,595 it had been stated in the financial statement as Rs 14,397,452. Therefore, the cash at bank had been under stated by Rs.1, 265,143.	It should be adjusted correct amount to financial statements.	Reply will be given
(k)	Action had not been taken to settle the amount of Rs. 869,604 regarding to the payable with 8 various institutions. During the year under review.	Action should be taken to settle.	Reply will be given

1.3.2 Suspense Accounts

Audit Observation	Recommendation	Comments of the Accounting Officer
Even though the credit balance of the suspense account amounting to Rs.11, 863,654 had been shown in the financial statements, action had not been taken to solve it.	the action should be taken to submit the evidence to the audit.	Accepted

1.3.3 Lack of Written Evidence Required for Audit

(a) Non-rendition of Information

Audit Observation	Recommendation	Comments of the Accounting Officer
Revalued value for 18 items of Assets Aggregating to Rs.346, 062,670 could not be satisfactory verified by Audit due to require Information had not been submitted to Audit.	It should be looked into and make necessary adjustments and settle the Suspense Account.	Reply will be given

1.4 Non-compliance

1.4.1 Non-compliance with Laws, Rules, Regulation and Management Decisions

Reference to laws, rules, regulations and management decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
(a) Section 177 (2) of Urban Councils Ordinance (Chapter 255)	The summary of financial statement should be published in the gazette on or before 1 st March every financial year. However, this requirement had not been followed by the Council.	It should be complied with regularly	Accepted

(b)	Financial Regulations of the Government of the Democratic Socialist republic of Sri Lanka ----- (i) F.R. No. 371(5)	Action had not been taken to settle or recover a sum of Rs. 6,277,800 advances given to the officers and private party in the year 2015 and 2018.	It should be complied with regularly	Accepted
	(ii) F.R. No. 571	Action had not been taken regarding deposit amounting to Rs.18,025,855 older more than 2 years.	It should be complied with regularly	Accepted
	(iii) F.R. No. 880	07 Officers had not deposited their staff guarantees.	It should be complied with regularly	Accepted
(c)	Public Administration Circular No. 30/2016 dated 29 December 2016	Even though consumption of fuel of the vehicles should be re-tested after a period of 12 months from each fuel test, it had not been done accordingly in respect of 43 vehicles belonging to the Council.	It should be complied with Circular	Accepted
(d)	Finance Ministry Circular No. AI/2002/2 dated 11 November 2002	Fixed Assets Register for computer and software not had been maintained by the Urban Council.	It should be complied with Circular	Accepted

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2018 amounted to Rs.16,434,872 as compared with the excess of revenue over recurrent expenditure amounting to Rs.21,109,142 for the preceding year.

2.2 Revenue Administration

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

The information on the estimated revenue, bill amount, Received amount and the arrears of revenue for the year under review and preceding year are given below.

Sources of Income	2018				2017			
	Budgeted Income	Bill Income	Received Income	Receivable Income as at 31 Dec	Budgeted Income	Bill Income	Received Income	Receivable Income as at 31 Dec
	“000”	“000”	“000”	“000”	“000”	“000”	“000”	“000”
Assessment Tax	43,420	41,077	41,080	99,802	43,480	35,188	24,971	16,035
Rent	30,707	21,205	21,129	26,968	20,104	21,482	16,466	5,015
Trade License	5,275	5,175	5,175	-	4,500	4,442	4,442	-
Other Income	49,663	27,623	27,624	336	61,525	17,927	17,927	-

2.2.2 Rent

Audit Observation

Recommendation

Comments of the Accounting Officer

According to the court order total a sum of Rs. 689,734 had been received during the year 2016 from the tenants as recoveries of the shop rent arrears and this total recovery had been deducted from the total arrears amount. However, action had not been taken to identify the recoveries from the each tenant and deduct that amount against the arrears of the relevant tenant. As a result, the arrears of the shop rent of a particular tenant had been brought forward even though that amount had already been recovered.

It should be Maintain the proper recorde to recovery rent enable to identify individually.

Reply will be provided

2.2.3 Court Fines

Audit Observation	Recommendation	Comments of the Accounting Officer
Action had not been taken to identify the total amount of Court Fines for the year 2018 and collect them from the Provincial Treasury, Eastern province.	It should be got action to collect the recoverable amount.	Accepted

3. Operational Review

3.1 Performance

The following matters which should be performed to accomplish welfare and convenience of the Publics' through regularize and control public health, utility services and thorough fares according to the clause 4 of the Urban Council ordinance.

(a) By-laws

Audit Observation	Recommendation	Comments of the Accounting Officer
The by - laws should be passed for no. of 40 main function to accomplish according to the clause 157 of the UC ordinance. However, council had not been imposed any rules and regulations for the year 2018.	It should be passed the By-laws.	Accepted

(b) Action Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
The Council had not prepared an action plan for the year 2018 in respect of Public finance circular No. 01/2014 dated 17 th February 2014.	It should be prepared on action plan.	Reply not submitted

(c) Solid Wastes Management

----- Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(i) The number of 664 Garbage bins amounted Rs. 3,160,799 had been purchased under PSDG and Younpuraye Programme - 2017 for purpose of separation garbage as plastic, polythene, paper, organic and glasses and which are procured to the public places, Government institutions and schools in the Council area. The Urban Council had issued no. of 240 garbage bins to the public places and Government Institutions. The sample audit carried out by auditors who observed bins had been provided same colours, label not attached and disposed garbage without separation at central bus stand, Vehicle park, Fort Fredrick road and Council premises. However, without considering this requirement, proper distribution plan and maintaining, nos of 230 bins amounted Rs. 909,450 had remained idle up to the date of 17 May 2019.	It should be taken action to used garbage bin as a plan	Reply will be given
(ii) The no. of 40,000 Garbage bags amounted Rs. 1,530,800 had been purchased for to collect garbage such as plastic, polythene papers, glasses and Organic from houses in the Council area. Under the Council fund However, No. of 27,994 bags amounted of Rs. 993,787 had remained idle up to 17 May 2019 because of lack of conducting awareness programme with regard to the important of separation garbage.	It should be taken action to separation of garbage	Reply will be given

(d) Environmental Problems

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) In terms of National Environmental Act, No. 47 of 1980 the business entrepreneur who organize such as cement works, carpentry works, garage and rice mills should obtain environmental protection license from the Urban Council. However, the above mentioned enterprises running without obtain such environmental protection license.	It should be conducted a servitor an issued environmental protection license.	Reply will be given
(ii) The garbage collected within the area of authority of the Council was approximately 19,350 tons per year and are being disposed in an irregular manner to an open land at Kanniya belonging to the Department of Forest Conservation. As a result, this garbage had caused environmental problems in the rainy seasons and also health hazard to the wild animals.	It should be taken action to regulate the dispose the garbage without environment problems.	Reply not submitted

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Even though low birth weight babies were at 8.87%, 9.46%, 10.9% and 10.1% on the child birth in 2015, 2016, 2017 and 2018 respectively under the council areas, the council have not been to action to reduce it.	It should be taken action to reduce low birth.	Reply will be given
(b) Fourty four officers who occupied official quarters belonging to the Urban Council had not paid rentals for several years and a sum of Rs.663,935 had remained arrears as at the end of the year under review.	It should be taken action to collect arrears.	Reply will be given

However, proper action had not been taken to recover those arrears of rent.

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|-----|--|--|---------------------|
| (c) | According to the section No. 6.3 of the Chapter XIX of the Establishment Code, government quarters can be used only by the government officers. However, the Council provided 5 quarters to the private parties. | It should be taken necessary action to remove them. | Reply will be given |
| (d) | According to the paragraph No. 6.1 of Chapter XIX of the establishment code, the maximum period for providing government quarters is 5 years. However, the Council had provided quarters to 17 officers more than 5 years. | It should be followed the establishment cord. | Reply will be given |
| (e) | Action had not been taken to obtained revenue license for 13 vehicles belonging to the Council. | It should be taken action to obtained revenue license. | Reply will be given |
| (f) | According to Section 164(2) of the Urban Council Ordinance, levies should be collected from tourist hotels functioning within the area of authority of the Council based on the total income of those hotels. However, the Council had not taken action to recover levy from three tourist hotels for the financial year 2017/2018. Therefore the council has not able to earn Rs.350,000 approximately each year. | It should be collected lives. | Reply will be given |
| (g) | Arrears of rest house income amounting Rs. 1,838,850 had not been collected by the Urban Council since May of 2017. | It should be collected arrears amount. | Reply will be given |
| (h) | The Council had not recovered arrears rentals aggregating Rs. 29,832,841 from Trade shops within 1 to 10 years. | It should be collected arrears amount. | Reply will be given |

3.3 Human Resources Management

Observations relevant to staff vacancies and excesses, disciplinary matters, staff loans, staff security etc. include here.

	Audit Observation	Recommendation	Comments of the Accounting Officer
(a)	Council had not been taken action to recover the transferred staff loan amount Rs. 119,295. It was remained since 2016.	It should be taken action to recover the balance amount.	Reply not submitted
(b)	The post of Accountant of the Council had remained vacant for more than 12 years. However, action had not been taken to appoint permanent officer to this post.	It should be taken action to appoints an account	Reply not submitted
(c)	The post of Secretary of the council should be an officer in Sri Lanka Administration Service. However, action had not been taken to appoint a permanent officer to this post since 28 February 2017.	It should be taken action to appoints an account	Reply not submitted
(d)	Vacancies existed for the posts of Management Assistant, Health Supervisor, Mid Wife, Public Health Inspector, Translator, Librarian, Technical Officer, Market Supervisor, Motor Man, Revenue inspector, Carpenter and Mechanic had not been filled up to the date of audit on 17 May 2019.		Reply not submitted

3.4 Operational Inefficiencies

	Audit Observation	Recommendation	Comments of the Accounting Officer
(a)	Out of 390 shops belonging to the Council, 111 shops had remained idle since year 2014 and 47 shops had not rented out in the year 2018. However, the Council had not taken action up to now to rent out those shops. Even Council had been earned amounting Rs. 19,738,464 as shop rent income for the year 2018.	It should be taken action to rent out those shops	Reply not submitted
(b)	The Council had assessed property at last in the year 2010 and the assessment tax has been levied base on the annual value of that year. But now a day some buildings had been removed and refurbished. However, The Council had not taken action to assess the property again and to determine the correct annual value.	It should be taken action to assess the property and collect assess rent tax.	Reply not submitted

3.5 Assets Management.

3.5.1 Idle / Under-utilized Assets.

	Audit Observation	Recommendation	Comments of the Accounting Officer
(a)	17 vehicles belonging to the Council had remained idle at the office premises for period ranging since 01 year to 10 years without taking action to dispose them.	It should be taken action to dispose or use	Reply not submitted
(b)	Installation of an Incinerator with a view to burning the hazardous waste disposed from hospitals at the Weeranagar area in the area of authority of the Urban Council had been commenced in the year 2015 and completed in the year 2017. The expenditure incurred therefor amounted to Rs.5,695,830. However, this Incinerator remains	It should be taken immediate action to used machine and ship a new location because building and machine are being rusting seriously.	Reply not submitted

idle up to the date of audit 17 May 2019.

(c) Land and Building Market own to Urban Council at power station Road handed over by Sri Lanka army in 2017 failed to use it for a productive purpose.	It should be action taken to use the property.	Reply not submitted
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3.5.2 Annual Goods/Stocks Survey

Audit Observation

Recommendation

Comments of the
Accounting Officer

According to the Board of survey for the year 2018 had been identified as deficit items 2077 and surplus items 139. However, management had not been taken any necessary action up to the date of audit. And also Survey recommendation had not been implemented by the Urban Council.	It should be taken action against the relevant officers.	Reply not submitted
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3.6 Procurements

3.6.1 Procurement Plan

Audit Observation

Recommendation

Comments of the
Accounting Officer

The Council had not prepared a procurement plan for the year 2018 in respect of Public Finance circular No. 1/28 dated 17 February 2014.	It should be prepared Procurement Plan.	Reply not submitted
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3.6.2 Contracts Administration

3.6.2.1 Construction of Fence in Mckeyzar Ground at Konesar Kovil Road

A contract had been awarded to the community center by the Urban Council at a contract value of Rs. 1,207,850 to construct fence side of Mckeyzar ground at Koneswar Kovil Road to avoid enter vehicle to the ground on 21 August 2017.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) According to the payment bill on 22 December 2017 sum of Rs. 567,350 had been paid in 2017 for 85 GI pipe post and 300m GI pipe by certifying these works are satisfactorily completed. However, Community Center had fixed only 58 GI posts and 90m GI pipes aggregating Rs. 304,430. Therefore over paid amounted Rs. 262,920 for 27 GI posts and 210m GI pipes.	It should be recovered the over paid amount from Contractor.	Reply not submitted
(b) As per the agreement construction should be completed before 20 November 2017. However, the construction has not been completed up to the date of 17 May 2019.	It should be recover late charge.	Reply not submitted
(c) Urban Council had been Purchase swin & Double swing slider to Rs. 235,000 in 23 February 2018 for Develop the Children Park. It had been idle because three swin slider have not fixed till 16 May 2019.	It should be taken action to against the relevant officers.	Reply not submitted

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
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Urban Council had not been establish a internal Audit unit accordance with Audit and Management Department Circular No. DMA/2009(1) dated 09 June 2009.	It should be established Internal audit act.	Reply not submitted

4.2 Audit and Management Committees

Audit Observation	Recommendation	Comments of the Accounting Officer
Urban Council had not been establish internal Audit and Management Committee accordance with Audit and Management Department Circular No. DMA/2009(1) dated 09 June 2009.	It should be establish Audit Management Committee.	Reply not submitted

4.3 Audit Queries not replied

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The Sewerage Treatment Plant which was constructed at a cost of Rs.4,044,907 in the year 2014 with a view to purifying the sewerage water and to releasing it to the environment and the essential work of the plant which is laying coir had not been done. As such, the sewerage water had been released to the environment through the Plant without being purified. Therefore, the objective of preventing the environmental pollution by the dirty water had not been fulfilled by this Plant and the expenditure incurred therefor had become fruitless.	Council should be conducted feasibility study be for state a Development Project.	Reply not submitted
(b) Even though the Chairman has no authority to hand over the lands belonging to the Urban Council to the public sector, lands of 3,212 perches in extent belonging to the Council had been handed over to 576 persons by the former Chairman in the year 2008. The Chief Minister had appointed a retired High Court Judge by a Gazette Extra Ordinary dated 11 August 2010 to look into this matter. According to his report, it	It should be get immediate action regarding this matter.	Reply not submitted

is decided that failure to act in compliance with the laws, rules and regulations followed by the Urban Council. As such, as decided at the Provincial Committee on Public Accounts meeting held on 26 May 2015, a Committee had been appointed chaired by the Secretary to the Chief Minister according to the Order delivered as to furnish a report by carrying out a proper investigation in this connection. However, the relevant committee had not furnished a report in this connection even by 29 June 2018. As a result of that, taking legal actions against the Chairman was further delayed.

- (c) An electrical fence had been erected in the year 2014 by the Council at a cost of Rs.618,858 for the prevention of elephants invading the land where the solid waste was disposed. However, the electricity had not been provided thereto, thus the wild elephants had damaged the electrical fence and at present there was no electrical fence around the land and it was observed that wild elephants come to consume the solid waste.

It should be get immediate action regarding this matter.

Reply not submitted