

Kanthale Pradeshiya Sabha
Trincomalee District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2018 had been submitted to audit on 27 March 2019 and the summarized Auditor General's Report, Management Report relating to that were sent to the Chairman on 27 May 2019 and 31 May 2019 respectively.

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 Kanthale Pradeshiya Sabha 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 Qualified Opinion

1.3.1 Accounting Deficiencies

Accounting Deficiency -----	Recommendation -----	Comments of the Accounting Officer -----
(a) The security deposit of Rs.18,000 deposited by the officers in the pradeshiya sabha fixed deposits has been completely omitted from the accounts.	Should be disclosed in the financial statements.	The security deposits are held in the fixed deposits of the Pradeshiya Sabha, but action will be taken to include the omitted security deposit of officers to the financial statement of 2019.
(b) A sum of Rs. 1,619,761 payable and receivable in respect of two construction contract agreements entered into on the 13 and 15 of August 2018 with the provisions of the Provincial Specific Development Grant (PSDG) Project of 2018 and the same amount was omitted from the debtor's and creditor's accounts.	Should be corrected by journal entries.	This construction was done with the provisions made by the Provincial Specific Development Grants in the year 2018 and since any cash receipt or payment not done during the year 2018 this transaction was not accounted. It could be taken in to accounts in preparation of final accounts for the year 2019.
(d) Although a sum of Rs.1,467,000 had been spent to purchase the required 600	Should be corrected by journal entries.	Even though a sum of Rs.1,467,000 had been spent to purchase 600 chairs to the Town

chairs for the town hall, it was shown under the Furniture and Fittings as Rs.467,000, thus that amount was understated from Rs.1,000,000.

Hall Auditorium, when computerizing mistakenly this was shown as Rs.467,000 in the final accounts under the Furniture and Fittings and action will be taken to correct this in preparation of final accounts in the year 2019.

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| (e) | The Fixed Deposit amounting to Rs.2,000,000 deposited on 08 May 2018 at the Bank of Ceylon under the account No. 82229475 had been omitted from the account | Should be corrected by journal entries. | It was not taken in to our account mistakenly; Action will be taken to correct this by journal entries. |
| (f) | The value of the sports pavilion built at the PansalGodalla grounds at a cost of Rs.499,990 had been omitted from the Fixed Assets Register. | Should be corrected by journal entries. | Action had been taken to include the value of the sports pavilion of the PansalGodella playground constructed at a cost of Rs.499,990 in to the Fixed Assets Register. |
| (g) | Although the Opening outstanding balance of Rates and Taxes in the year under review was Rs.9,471,046, since it was accounted as Rs.9,154,410, the balance had been understated by Rs.316,636 at the end of the year under review. | Should be corrected by journal entries. | Given information are correct and it can be correct by journal entries. |

1.3.2 Lack of Documentary Evidences for Audit

----- Account Item -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
The audit could not be satisfactorily verified due to the lack of evidence presented before that for 09 account items amounting to Rs. 240,473,768.	Evidences should be present to prove the account balances shown in the financial statements.	Action will be taken to prepare detailed schedules and age analysis regarding 09 items mentioned.

1.4 Non-Compliance

1.4.1 Non-Compliances with Laws, Rules, Regulations and Management decisions

Reference to Laws, Rules, Regulations and Management decisions	Non-Compliance	Recommendation	Comments of the Accounting Officer
(a) Section 24 of the Pradeshiya Sabha Act No.15 of 1987	Roads constructed by the Sabha were not entered in to the inventory and action had not been taken to Gazette all existing roads and constructed roads in accordance with the sections.	Roads should be entered in the inventory and Gazette.	Action had been taken by the Sabha to prepare the new road list it is expected to complete this activity at the end of this year.
(b) 1988 Pradeshiya Sabha (Finance & Administration) Regulations			
(i) Regulation No. 217	The fixed assets register had not been updated.	The fixed assets register should be updated.	I kindly inform that the fixed assets register will be updated.
(ii) Regulation No. 218	All lands and buildings had not been surveyed annually.	Lands and buildings should be surveyed annually.	All lands and buildings belonging to the Sabha could not be surveyed continuously and I kindly inform that action will be taken to update according to the matters pointing out in future.
(c) Section 3.15 of Chapter XXIV of Establishment Code.	Although the General 158 format should be used to sign the bond, on 13 occasions, loans amounting to Rs. 1,300,000 had been granted without bonds.	Guarantee for all distress loans must be signed using GeneralForm 158 format.	Even though to sign the security bonds "General 158" format should be used, it had been used another format and action will be taken to fill the correct form (General 158) from the related officers and I kindly inform that action will be taken to correct the

mistakes you have been pointed out.

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| (i) Financial Regulation 880 | Five officers who should keep security deposits had not been deposited employee securities. | Action should be taken in terms of Financial Regulations. | Action had been taken to recover employee security deposits before end of the month of August 2019. |
| (iii) Financial Regulation 1645 (b) and 1646 | Although daily running charts and monthly summaries maintained on Form 268 should be regularly checked and submitted to the Auditor General before the 15 of next month, the running charts of 17 vehicles belonging to the Kantale Pradeshiya Sabha had not been submitted to the Auditor General. | Action should be taken in terms of Financial Regulations. | Not yet presented and the running charts for the month of January 2019 had been sent to you. Further, action will be taken to send remaining running charts before the date of 30. |

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the recurrent expenditure over revenue for the year ended 31 December 2018 amounted to Rs. 2,547,663 against with the revenue over recurrent expenditure of the preceding year amounted to Rs.9,878,731.

2.2 Revenue Administration

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

Revenue Source	2018				2017			
	Estimated Revenue	Billed Revenue	Collected Revenue	Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected 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	2,288	2,323	2,223	9,009	4,300	3,759	3,830	9,471
Rent	16,650	4,913	3,159	1,774	15,625	4,976	8,294	2,881
Other Income	2,725	2,725	1,266	11,810	8,160	12,070	6,891	10,906

2.2.2 Stamp Duty

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
A sum of Rs.10,320,598 had been shown as counterfeit arrears stamp duties by accounting the difference between the estimated value and the actual value of the stamp revenue arrears	Action should be taken to identify the stamp duty of the year under review and properly account for this and to writeoff the amount of false arrears.	While preparing estimates, stamp duty had been over estimated for several years. Accordingly, a sum of Rs.10,320,598 had been shown as arrears income in the final accounts. I kindly inform that action will be taken to obtain Sabha approval in June 2019 for remove that by journal entries and to remove the balance from the final accounts of the year 2019.

3. Operating Review

3.1 Performance

Following matters were revealed relating to the functions to be performed by the Sabha for the regulation and control, Public luxury and convenience and welfare of Public Health, Public Utilities and Public Roads under the provisions of Section 3 of the Pradeshiya Sabha Act.

(a) By-Laws

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
Although sub rules are to be imposed to accomplish 28 key matters in respect of Section 126 of the Pradeshiya Sabha Act, by-laws had been prepared relating to 11 matters but not been imposed even by 31 December 2018.	Action should be taken to impose By-laws.	Even though it was sent to the Department of Eastern Province to pass 06 by-laws and even any action had not been taken, Commissioner of Local Government had sent a letter on 09 May 2019 that action will be taken to active again. Action will be taken to approve remaining By-laws.

(b) Action Plan

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
Even though an annual action	An action plan should	An action plan for the year

plan should be prepared for the activities to be done by the Sabha, an action plan had been prepared for drafting the annual budget.

be prepared annually.

2019 had been prepared.

(c) Solid Waste Management

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
<p>Approximately 150 tonnes of garbage is disposed monthly in the pradeshiya sabha area and disposal of garbage was not done according to the recommendations of the Central Environmental Authority. As a result, wild elephants in the area have become accustomed to eating garbage and the existence of wild animals was endangered. Steps have not been taken even by 31 December 2018 to properly dispose of garbage by installing of an electric fence around the 12 ½ acre land in Sooriyapua area given by the Mahaweli Authority.</p>	<p>Solid waste should be disposed according to the recommendations of the Central Environmental Authority.</p>	<p>Department of Eastern Province Local Government was entered to an agreement with the CGL institute in the year 2016 to properly dispose all garbage of the Local Government Institutes of the Trincomalee District. But that institute was inactive. At that time, a sum of Rs. 10 million had been approved by the Sabha for constructing a Solid Waste Management Centre in Kanthale Sooriyapura under the “Pilisaru” project with the Central Environmental Authority. The approved “Pilisaru” project was abandoned due to the Department of Local Government had been agreed to dispose garbage with the above CGL institute. Since the CGL institute not receive daily collected garbage from the Pradeshiya Sabha, those garbage is being disposed to the Sooriyapura Land. The proposal for constructing the new garbage center had been resent to the Ministry of Local Government and Environmental Authority and soon after approve that proposal an electrical fence will be fixed and action could be taken to dispose garbage properly.</p>

(d) Environmental Issues

Audit Observation	Recommendation	Comments of the Accounting Officer
Even though Environmental Protection License (EPL) should be obtained in the case of implementing enterprises such as paddy mills, carpentry and cement based industries in terms of the National Environmental Act No. 47 of 1980 amended by Act No. 56 of 1988 and No. 53 of 2000, a survey of such enterprises in the Sabha area was not carried out in the year under review. The Sabha had issued licence in the year under review for 37 enterprises. Eighty Four such enterprises were identified in the previous year.	Lisence should be issued after done annual Survey of Environmentally damaging enterprises.	A survey is being conducting in the Sabha area to identify the enterprises that which should be obtain Environmental Protection License for the year 2019.

(e) Sustainable Development Goals

Audit Observation	Recommendation	Comments of the Accounting Officer
The Sabha did not identify the Sustainable Development Goals, Targets and the measurements contained in the Sustainable Development Act No. 19 of 2017 in the year under review. The Sabha had failed to implement any program due to lack of awareness even in the year under review.	The Sustainable Development Goals and Objectives must be identified and implemented in accordance with the relevant rules and circular guidelines.	A proper project or awareness activity had not been conducted regarding sustainable development goals by the Ministry of Local Government ar Department of Local Government. If the basic foundation of the Sustainable Development will be given, it could be contributed for that.

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
Action had not been taken to recover staff loan of Rs.1,259,195 recoverable from 02 employees who left the	Action should be taken without delay to recover receivable	Paragraph 04 of Chapter XXIV of the Establishment Code is related to the officers who resigned or retired from services.

service and dismissed from the balance. service of the Sabha in terms of section 04 of Chapter XXIV of the Establishments Code.

But the service of following officers were not resigned or retired and their services were holded temporarily for the following reasons.

3.3 Operational Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>Although the Department of Local Government has assigned 02 doctors to the Free Ayurvedic Dispensary run by the Kantale Pradeshiya Sabha. There were 47 types of drugs issued at the dispensary, but a severe shortage of drugs was observed throughout the year.</p>	<p>Arrangements should be made to provide drugs in Kantale Free Ayurvedic Dispensary without any shortage.</p>	<p>Since adequate provision had not been made for purchasing drugs for the Kanthale Free Medical Dispensary it could not be able to purchase medicines and according to the requests of the Ayurveda Doctors drugs had been issued. But, it could be purchase medicines without shortage due to provision of Rs. 10 lacks had been made in the year 2019</p>

3.4 Assets Management

3.4.1 Non- maintenance and non-repair

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>The Pradeshiya Sabha's 31 ₹ 8972 car was allowed to be destroyed for a period of 10 years and two tractor trailers were allowed to be destroyed for a period of 5 years.</p>	<p>Action should be taken to avoid destroying,</p>	<p>It is not effective by repairing the car 31 ₹ 8972 and action had been taken to reserve as condemned vehicle.</p> <p>The 2 vehicles of tractor trailer should be repaired but it was postponed due to financial level of the Sabha. After receive funds those vehicles will be repaired.</p>

3.4.2 Idle and Under Utilized Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
Even though the fingerprint machine used to mark the arrival and exit of the office staff was still in operation, it was idled without marking arrival and exit stating it couldn't get print outs.	Action should be taken to utilize the assets.	Even though the institute had been informed, reports are not received up to now. Steps will be taken to prepare by 01 June 2019.

3.4.3 Annual Board of Survey

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Action had not been taken to remove the cost of assets from the fixed assets relating to 26 items removed at auction on 17 December 2018 and 28 November 2018	Action should be taken to calculate the cost and remove from the accounts.	Action will be taken to removed scrap items auctioned relating to the year 2018 from the fixed assets and though journal entries.
(b) The cost of the 77 books removed from the library was not deducted from the value of the library books.	Action should be taken to calculate the cost and remove from the accounts.	

3.4.4 Vehicle Utilization

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Kanthale Pradeshiya Sabha owns 17 motor vehicles and insurance cover for 4 vehicles and revenue license for 12 vehicles had not been obtained.	Action should be taken to renew vehicle revenue licenses and obtain insurance.	Revenue licenses for the motor vehicles owned by the Sabha were not obtained for a long period and action had been taken to obtain license of this vehicles. Since the licenses were not obtained for a several years a big amount had to incur to this. It was requested a relief for this from Hon. Governor of the Eastern province and the Chief Secretary. It was attached as Annexure 09 and 10. It is expected to complete this activity

after receive a relief or by including the provision in the year 2020.

- (b) During the audit inspection on 19 March 2019, a tractor belonging to an outside party was torn down and repaired in the garage of the office premises. It was observed that the motorcycle bearing number HW- 2908 had been kept in the garage for a long time.
- Do not allow outside parties to enter the Sabha premises.
- The tractor of the Chairman had been inactive near to the Sabha and it was taken to the Sabha and repaired and after taken off. Further, I kindly inform that any vehicles not belonging to the Sabha will not allow repairing in the Sabha premises.

3.5 Procurement

3.5.1 Procurement Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
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Even though procurements had been done during the year under review, a procurement plan had not been prepared.	A procurement plan should be prepared.	I kindly inform that action will be taken to prepare a procurement plan for the next quarter of 2019.

3.5.2 Supply and Services

Audit Observation	Recommendation	Comments of the Accounting Officer
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Although the reports of the Technical Evaluation Committee should be recorded in the specific format contained in the Procurement Manual in accordance with Section 2.11.3 (a) of the Government Procurement Guidelines, such a register was not maintained by the Sabha.	Technical Evaluation Committee records should be maintained.	A specific format was not included in the Procurement Guidelines and I kindly inform such a register will be maintained in future.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
An internal audit division had not been established for the year under review by the Pradeshiya Sabha in terms of the circular No. DMA / 2009 (i) dated 09 June 2009 of the Department of Audit and Management.	Internal audit should be implemented continuously.	An internal audit division had been established in the Pradeshiya Sabha.

4.2 Audit and Management Committee Meetings

Audit Observation	Recommendation	Comments of the Accounting Officer
The Audit and Management Committee meetings were not conducted by the Pradeshiya Sabha in terms of the circular No. DMA / 2009 (i) dated 09 June 2009 of the Department of Audit and Management.	Audit and Management Committee meetings should be conducted.	Audit and Management Committee meeting was held on 23 may 2019.

4.3 Unresolved Audit Observations and Audit Queries not Replied

(a) Unresolved Audit Observations

Audit Observation	Recommendation	Comments of the Accounting Officer
The adjustments that the audit had indicated to be made to the accounts of the previous year were not adjust even in the year under review	Action should be taken to adjust the accounts.	Action will be taken to correct all adjustments through journal entries in the year 2019 which were pointed out by the audit.