

Kinniya 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 03 July 2019 and the summarized Auditor General's Report, Detail Management Report relating to the year under review were sent to the Chairman on 07 August 2019 and 06 November 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 Kinniya Pradeshiya Sabha as at 31 December 2018 and its financial performance and the cash flow 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
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Loan Balances of the employees had been overstated by Rs. 92,951.	Loan register of the employees should be maintained proper manner.	The loan balance of the employees have been overstated in Financial Statement for year under review and it will be corrected in Financial Statement of 2019.
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1.3.2 Payable Accounts

Details of Account Balances	Recommendation	Comments of the Accounting Officer
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Although, the 10 year balances of contribution for pension amounting Rs. 2,227,497 had been not settled yet.	Balance of contribution for pension should be settled timely manner.	Kinniya Pradeshiya Sabha had been upgraded as urban council on 15 April 2006 at the same time new Pradeshiya Sabha was established.
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Further, the balances of contribution for pension belong to old Pradeshiya Sabha and it was converted to new Sabha.

Moreover, we have inform to the department of pension for further solution and it will be corrected in next year.

1.3.3 Lack of Evidence for Audit

Details of Account Balances	Recommendation	Comments of the Accounting Officer
The fixed assets register had not been submitted for the audit further, the value of assets was Rs. 4,797,899.	Fixed assets register should be submitted to the audit.	The responsible officer had been advised to take action for this issue.

1.4 Non-Compliances

Non-compliances 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 173 of the Pradeshiya Sabha Act No.15 of 1987	The agreements had not been made for 06 meat and fisheries market shop which were rent out during 2017 and 2018.	The shop should be rent out with proper written agreement.	Agreement had been made for the 06 shops which was rent out in 2018.
(b) Section 203 of the Motor Traffic Act	Revenue licenses must be obtained for all vehicles every year. However, revenue licenses for 08 vehicles used by the Sabha were not obtained in the year under review.	Revenue licenses must be obtained for all vehicles every year.	Action will be taken to this issue

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the revenue over recurrent expenditure for the year ended 31 December 2018 amounted to Rs. 1,366,600 when compared with the revenue over recurrent expenditure of the preceding year amounted to Rs. 2,707,431.

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 Item	2018				2017			
	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
(i) Rates and Taxes	4,585	6,910	4,915	1,996	4,875	5,044	2,550	2,494
(ii) Rental	1,470	2,861	916	1945	2,210	819	819	819

The arrears of Rates and Taxes for the year under review had increased by Rs. 1,126,000 over the previous year. This indicates the slow form of recovering Rates and Taxes.

2.2.2 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
In terms of Section 134 (1) of the Pradeshiya Sabha Act No 15 of 1987, The valuations of non-moveable assets for the taxation had not been made.	Action should be taken to do the valuation of non-moveable assets	The action was taken but still on going.

2.2.3 Meat Shop Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>If owner's meat shop did not pay monthly rental, the rent should be deduct from lease deposit amount. However, it have been practicing at the end of the financial year. Due to that, a sum of Rs. 7,273,843 had been shown in the financial statement as receivable amount. Further, age analysis for receivable amounting Rs. 7,098,912 had not been submitted to the audit.</p>	<p>Age analysis for receivable balances should be submitted to the audit and action should be taken to recover those balances.</p>	<p>Only some year's information are available and it were recorded, at the same time the details for past year was not available. Due to that, proper action could not be taken.</p> <p>Further, after the confirmation and advice of Assistant Commissioner of Local Government, action will be taken.</p>

2.2.4 Meat Shop Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>Kachchakkodi Thevu Public Market Building for Lease</p> <p>Under the Puraneguma project there are 36 shop and 32 open market shop were constructed in 2014 with the expectiture of Rs. 21,510,853 by the Government.</p> <p>Accordingly, the rent for structure shop and open ground shop Rs.30,000 and Rs. 20, 000 respectively for the weekly market as well as a sum of Rs. 1,720,000 had been deposit account for those shops.</p> <p>However, a sum of Rs. 593,000 only had recovered by Sabha as at end of review year.</p>	<p>Lease rent for shops should be recover timely manner and the action should be taken to recover the deposit amount.</p>	<p>The action was taken by Sabha.</p>

2.2.5 Stamp Duty

Action for the calculation and collection of stamp duty had not been carried out by Sabha during year under review.

Action should be taken to calculation and collection of stamp duty.

Action for the calculation of stamp duty for the year 2018 had been carried out by Sabha

3. Operational Review

3.1 Performance

Following matters were revealed relating to the functions which should be performed by the Sabha to regulate and administrate public health, public utility services and public roads and luxury, convenience and welfare of the people under section 3 of the Pradeshiya Sabha Act.

(a) Failure to Achieve Expected Results

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>----- It was observed that, a sum of Rs. 27,272,144 had been spent by Sabha for solid waste management during 2011 to 2017. However, without proper separation the garbage was disposing in particular aria.</p> <p>Further, preparation of solid waste fertilizer process was in idle situation due to unavailability of proper machinery system therefore the expected outcome could not achieved.</p>	<p>----- Action should be taken to make solid waste fertilizer and also proper system for separation of garbage.</p>	<p>----- The process for separation of garbage was started as well as the action had been taken to procuring machinery.</p>

(b) Environmental Issues

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>----- without obtaining permit for butcher shop from Central Environment Authority, meat</p>	<p>----- Action should be taken to getting permit from Central Environment</p>	<p>----- The action had been taken.</p>

production process have been functioning. Further, the slaughterhouse waste was disposing in the river and pools.

Authority and slaughterhouse waste should be dispose in proper manner.

(c) Sustainable Development Goals

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>according to the Sustainable Development Goals act No 19 of 2017, Sabha did not identified the objective of Sustainable Development in their operation and also the indicators and agenda for achivement of the Sustainable Development Goals by 2030 had not been developed.</p>	<p>Action should be taken to understanding and achievement of the objective of Sustainable Development.</p>	<p>The action had been taken.</p>

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) Contribution for pension balances Rs. 548,525 had been not settled to the Department of Pension. And it was collected from the employees during 2008 to 2013.</p>	<p>Balance of contribution for pension should be settled timely manner.</p>	<p>The action will be taken.</p>
<p>(b) According to the Section 5 of the circular No 11//2015 of Secretary to the Ministry of Public Administrations, office can be take only 30 minutes for lunch break. However it was observed that, 30 minutes to 2.30 hours had been taken by offices for lunch and no action have been by Sabha.</p>	<p>Action should be taken to base on the circular.</p>	<p>Action will be taken base on the instruction by the audit in future.</p>
<p>(d) According to the circular No 03/2014 (i) of Department of Public Finance, Rs. 2000 of telephone allowance can be paid to the Secretary to the Sabha</p>	<p>The action should be taken as per the circular instructions.</p>	<p>It was made written information to the Secretary to settled the over payment on or before 14 day from the letter date.</p>

from January 2015. However, from June 2014 to February 2017 totally 33 month the payment had been made to Secretary to the Sabha.

Accordingly, a sum of Rs 14,000 had been over paid as telephone allowances to Secretary to the Sabha.

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| <p>(e) According to the Section 4 of the circular No 03/2017 of Secretary to the Ministry of Public Administrations, all Government Institutions which have failed to implement the above system so far should take action to keep records to confirm the arrival and departure of officers. However, so far the system was not implemented.</p> | <p>Action should be taken to keep records to confirm the arrival and departure of officers to and from the office by using finger scanners, in terms of the provisions of the Circulars.</p> | <p>Finger scanners was under repairing and the action will be taken.</p> |
| <p>(f) According to the Section 4.5 of the circular No 20/2018 of Secretary to the Ministry of Public Administrations, if monthly basic salary Rs.43,480 and above, Combined Allowance payable will be Rs.1000. However, up to December 2018 monthly basic salary was Rs.34,942 of the Secretary but Combined Allowance was paid Rs.1,000.</p> | <p>Action should be taken to recover over payments from the officer.</p> | <p>It was made written information to the Secretary to settled the over payment Rs. 4,700 on or before 14 day from the letter date.</p> |

Accordingly, A sum of Rs.32,595 paid as Combined Allowance based on the rate of Rs.1,000

3.3 Human Resource Management

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
<p>According to the sub sections 4.4, Chapter XXIV of the</p>	<p>Action should be taken to recover the loan</p>	<p>Kinniya Pradeshiya Sabha had been upgraded as urban council</p>

Establishments Code, the loan balance should be recovered. However, aggregating loan amount Rs.134,694 of 08 officers had not been recovered so far.

balance as per rules and regulations

on 15 April 2006 at the same time new Pradeshiya Sabha was established.

Further, the loan balances Rs.134,694 is belong to old Pradeshiya Sabha and it was converted to new Sabha.

3.4 Operation Inefficiency

3.4.1 Assets Management

3.4.1.1 Not Transfer Register Ownership of Assets.

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>There are five vehicle which was given by other Ministry, Department and some other organization during 2008 to 2016. However, the register ownership of those vehicles had not been transfer to Sabha.</p>	<p>Action should be taken to transfer register ownership of those vehicles to Sabha.</p>	<p>The action had been taken.</p>

3.4.1.2 Idle Assets.

Audit Observations	Recommendations	Comments of the Accounting Officer
<p>(a) Rs.1000,000 valued building for public toilet facility is idle situation from 31 December 2016 after completion of the construction.</p>	<p>Action should be taken to provide building for public use</p>	<p>Due to unavailability of water facility, the toilet is not using and action had been taken to Tube well facility.</p>
<p>(b) Motor vehicle, 02 three wheeler and 02 double cab had been idle from 30 to 06 years.</p>	<p>Action should be taken to assets utilization.</p>	<p>action had been taken to auction.</p>

3.5 Procurement

3.5.1 Procurement Plan

	Audit Observations	Recommendations	Comments of the Accounting Officer
(a)	According to the circular No 128/2006 of Department of Budget, the procurement plan had not been prepared by Sabha.	Action should be taken to prepare procurement plan based of the said circular.	In future it will be corrected

3.5.2 Contract Management

	Audit Observations	Recommendations	Comments of the Accounting Officer
(a)	Supply of Water for Kachchakodi Thevu Fish Market Building A sum of Rs 18,000 had been paid without supply of service at end of the year 2018. Further particular service of water supply had been received in 2019 with the additional cost of Rs.25,155.	Action should be taken to the recovery of over payments.	The action will be taken for the collection of over payment from the retention moner of Kachchakodi Thevu Fish Market Building.
(b)	Solid Waste Collecting Center Under the Solid Waste Management project a sum of Rs. 11,406,212 had been spent for the collection of solid waste, construction of ground wall and nets, construction of fence and lighting during the year of 2017. Accordingly, following observations are made in this regard.		
(i)	Construction of Fence ens for Outer grounds. A sum of Rs. 150,000 had been estimated for concrete pillar of	Action should be taken after discussion of	The action will be taken to eliminate this type of

construction for road light.
however, it was observed that GI
had been used for the construction
for road light

responsible officer.

incidence in future.

3.6 Uneconomic Transection

Audit Observations	Recommendations	Comments of the Accounting Officer
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(a) The Sabha had been paid a sum of Rs. 540,770 for the penalty payment due to the late payment of Rs. 1,210,976 of the Contribution to the Employee Trust Fund for 29 employees for the period of 2011 to 2013.	Action should be taken to recover from the officer who is responsible for delay paid, and in future the payment should be made timely manner.	Action will be taken after receive the instruction from Assistant Commissioner of Local Government