

Kalmunai Municipal Council
Ampara District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial statements for the year 2018 had been submitted to Audit on 02 April 2019 and the Summarized report and the detailed management audit report of the Auditor General on the said Financial Statements were sent to the Chairman on 31 May 2019.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in the Basis for qualified opinion paragraph of this report, the financial statements give a true and fair view of the financial position of the Kalmunai Municipal Council as at 31 December 2018, and of its financial performance for the year then ended in accordance with generally accepted accounting principles.

1.3 Basis for the qualified opinion

(a) Accounting Deficiency

	Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
(i)	Rental for JCB Machines of Rs. 93,000 which should be recovered from the Water Supply and Drainage Board in the year 2016 had not been shown in the financial Statements.	Receivable rents should be taken into accounts.	Although notices and reminders were sent, the said amount was not recovered. Therefore, a decision was made to take legal actions.
(ii)	A sum of Rs. 3,023,329 which should be paid to the Kareithiu Pradeshiya Sabha for the disposal of solid waste during the period from the year 2011 to the year 2015 had not been shown as a payable amount in the financial statements.	Payable amount should be shown in the financial Statements	Actions could not be taken in this regard due to lack of relevant documents. Actions will be taken to inform in writing to the kareithiu Pradeshiya Sabha on this matter.

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| (iii) | Ayurvedic Medicine stocks with value of Rs. 163,333 of Kalmunai Islamabad Municipal Ayurvedic hospital which is operated under the supervision of the Municipal Council, had not been shown in the financial Statements. | Actions should be taken to show the stock value in the financial statements. | It will be corrected in the future. |
| (iv) | An outstanding amount of Rs. 452,250 which should be recovered from the vehicles of Kalmunai area relating to the period of 2018 had not been shown in the accounts. | Receivable revenue should be shown in financial statements. | Commissioner of Local Government will be informed and actions will be taken in this regard. |
| (v) | Although according to the Tax ledger, the rate taxes for the year under review was Rs. 12,348,790, it had been shown as Rs. 9,222,054 in the revenue and expenditure account. | Accurate amounts should be shown in the financial statements. | Legal actions were taken to recover the receivable rate taxes. |
| (vi) | Although according to the revenue ledger, the rents for the year under review was Rs. 15,592,099, it had been shown as Rs. 15,261,361 in the revenue and expenditure account | The balance should be shown in the financial statements according to the rent revenue ledger. | It was decided to take legal actions to recover the relevant amount. |

(b) Unreconciled Accounts

----- Audit Observation -----	----- Recommendation -----	----- Comment of the Accounting Officer -----
A difference of Rs. 16,751,454 was observed between values shown in financial statements and schedules regarding 3 accounting items.	Corrections should be made by comparing the differences.	This outstanding amount is a continuation from the year 1987 and actions could not be taken due to lack of facts for verification.

(c) Lack of written evidence required to audit

Audit Observation	Recommendation	Comment of the Accounting Officer
Two accounting items valued at Rs. 142,933,051 could not be vouched/ verified satisfactorily in audit due to lack of deeds of land, fixed asset records, reconciliation statements and time analysis.	Evidence should be presented to confirm the balances shown in financial statements.	It cannot be accurately identified due to lack of clear details prior to the year 2014. Actions were taken to collect the said amount into revenue.

1.4 Non-Compliance**Non-compliances with Laws, Rules, Regulations and Management Decisions**

Reference to Laws, Rules Regulations and Management Decisions	Non-Compliance	Recommendation	Comment of the Accounting Officer
(a) Municipal Council Ordinance	Section 218	.A detailed report which should be prepared on the administration, had not been prepared for the year under review.	Actions should be taken to prepare according to the relevant ordinance.
(b) Circular No. 15 dated 18 November 1993 of the Urban Development Authority	Even though it was informed to each local government institution to open a bank account under the name of urban development and service charges and fines should be deposited to the above account, actions had not been taken to open and maintain an account under the name of Urban Development by the Municipal council.	Actions should be taken to open an account according to the relevant circular.	Actions will be taken to open an account of this kind in the future.

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| (c) | Financial Regulations 571 of the Democratic Socialist Republic of Sri Lanka | Actions had not been taken by the council to either pay back to the relevant personals or to transfer to revenue account, regarding deposits valued at Rs. 32,710,231 that has exceeded two years. | Action should be taken according to Financial Regulations. | Actions will be taken to transfer into revenue account. |
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2. Financial Review

2.1 Financial Result

According to the financial statements presented, the revenue that exceeded the recurrent expenditure of the Council for the year ended 31 December 2018 was Rs.4,843,893 and the correspondent revenue that exceeded the recurrent expenditure in the previous year was Rs.13,431,998.

2.2 Financial Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Outstanding Revenue

Details of Estimated Revenue, Billed Revenue, Collected Revenue and Outstanding Revenue for the year under review and the previous year are given below

Source of Revenue	2018				2017			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Outstanding as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Outstanding 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	12,349	9,222	94,693	11,100	12,174	11,592	91,567
Rent	19,980	15,592	15,261	39,123	19,980	16,637	15,621	38,792
License fees	9,705	8,491	8,491	-	9,705	7,254	7,254	-
Other Revenue	45,275	34,435	34,435	-	43,255	24,295	24,295	-

2.2.2 performance of collection of Revenue

Audit Observation	Recommendation	Comment of the Accounting Officer
<p>A sum of Rs. 67.41 million had been recovered out of Rs. 201.22 million of revenues that should be collected by the council until 31 December 2018. Therefore, the progress of collecting funds was 33%.</p>	<p>Decisions should be made to increase the collection of main revenue of the council and actions should be taken to increase the collection percentage.</p>	<p>Not commented.</p>

2.2.3 Rates and Taxes

Audit Observation	Recommendation	Comment of the Accounting Officer
<p>According to section 252(1)(b) of the Municipal Council Ordinance, a sum of Rs. 91.56 million of rate taxes which should be recovered from 47,900 immovable property and land located in the Municipal council jurisdiction over a period exceeding a year had not been recovered even up to the end of the year under review.</p>	<p>Actions should be taken to recover the outstanding in the relevant period of time.</p>	<p>It is currently being recovered.</p>

2.2.4 Rentals

Audit Observation	Recommendation	Comment of the Accounting Officer
<p>(a) Actions had not been taken to recover Public Fair rentals of Rs. 12,314,393, Meat stall lease of Rs. 7,661,912, stall rentals of Rs. 13,657,443 which had been outstanding from 1987, and had been shown in the Financial Statements continuously.</p>	<p>Actions should be taken to recover.</p>	<p>Actions will be taken to write off.</p>
<p>(b) A sum of Rs. 3,394,613 of Bicycle and Vehicle safety tax which had been outstanding since the year 1996, had been shown in</p>	<p>Actions should be taken to recover</p>	<p>Actions will be taken to write off.</p>

the financial statements continuously without taking actions to recover.

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| (c) | An outstanding amount of Rs. 5,130,143 had not been recovered from lessees who had leased 64 shops out of 503 of the Public market that belongs to the urban council for a time period of over 7 years. | Actions should be taken to recover. | Recovering the outstanding had been difficult due to these shops needing to be repaired. |
| (d) | A gross annual loss of Rs. 60 million had occurred due to renting the shops for a monthly rental of range of Rs. 300 to Rs. 2,500 since 1980 without calling new quotations while the private shops located next to the public fair are rented for a monthly rental in a range of Rs. 10,000 to Rs. 20,000. | Actions should be taken to reduce the revenue and to increase the rental. | Rentals were increased from 2019. |
| (e) | The council had not entered into agreements regarding the leasing of shops, public fare and 74 vehicle yards located in the urban council jurisdiction which had been leased to a total value of Rs. 9,555,049 in the year 2018. | Actions should be taken to enter into agreements regarding the shops, public fare and vehicle yard. | Arrangements were made to sign agreements and lease in the future. |

2.2.5 Stamp fees

Audit Observation

Actions had not been taken to calculate and recover additional stamp fees by the Municipal Council which was recovered by the Department of Land Registry of Kalmunai for the year 2016,2017 and 2018 through direct and mobile services.

Recommendation

Actions should be taken to recover.

Comment of the Accounting Officer

Difficulties were faced when obtaining the details of Stamp fees of the year 2018 from the District Registrar's office.

3. Operational Review

3.1 Performance

According to the section 3 of Municipal Council Ordinance, the following matters were revealed relating to formulation and regulating public health, public utility service and roads and wellbeing of the people, convenience and welfare which should be full filled by the council.

(a) Bylaws

Audit Observation

Although bylaws should be imposed to fulfil 42 main items according to section 272 of the Municipal Council Ordinance, actions had not been taken to prepare the proposals for bylaws and to present them to obtain the approval of the Minister of Local Government of Eastern Province even up to 31 December 2018.

Recommendation

Proposals on bylaws should be prepared and sent to obtain the approval of the Minister of Local Government of Eastern Province

Comment of the Accounting Officer

Authority on items 272:1 1: a, b, c, d, e was issued to the provincial council by the circular dated 31 December 2013. g, h, i and other approved bylaws are being used by the Municipal Council.

(b) Action plan

Audit Observation

An annual action plan had not been prepared on the activities that are carried out by the council.

Recommendation

An action plan should be prepared and actions should be taken according to the said prepared plan.

Comment of the Accounting Officer

These items are expected from this year's budget, according to these bylaws.

(c) Sustainable Development Goals

Audit Observation

According to the Sri Lanka Sustainable Development Act No 19 of 2017, Every public institution should act according to the 2030 Agenda of the United Nations. However, actions had not been taken to identify and achieve the goals in this regard

Recommendation

Actions should be taken to identify goals and to identify indicators to measure these goals and to achieve them.

Comment of the Accounting Officer

Actions will be taken to implement in the future.

3.2 Management inefficiencies

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) Actions had not been taken to transfer the ownership of the lands where the office building, Public library, public fare, playground, vehicle yard, Fertilizer Recycling Center and the slaughterhouse are located, to the name of the council.	Actions should be taken to transfer the ownership of the relevant lands to the name of the council.	Actions will be taken to transfer the ownership by the Divisional Secretariat.
(b) Actions had not been taken against the responsible personals regarding 8,102 misplaced library books and 1,205 books to be reduced, as pointed by the board of survey in the years 2015 and 2016.	Adjustments should be made during the relevant time period and cost should be written off from the fixed assets. Further, necessary actions should be taken regarding the misplaced books.	Actions will be taken to write off in the coming year.
(c) The ownership of 38 motor vehicles and machinery which are used by the municipal council had not been transferred to the name of the municipal council.	The ownership of the vehicles that are used by the municipal council should be transferred to the name of the council.	Relevant details are being collected in this regard.
(d) Approval had been rejected for over 50 per cent of the applications in the year 2018 which were presented to obtain approval for construction of buildings due to presenting them to the planning committee without proper inspection by the officer in charge and technical officers. Applicants had faced many difficulties due to this reason.	Officer in charge and technical officers should properly inspect the applied applications to construct houses.	Officer in charge was informed in this regard.
(e) Although finger print machines should be used to verify arrival and departure of officials according to Public Administration Circular No. 03/2017 dated 19 April 2017 and, Finger print machines were not used to verify the arrival and departure of the executive grade officials of the Municipal Council.	Fingerprint machines should be used to verify arrival and departure of executive grade officials according to Public Administration	All officials have been using fingerprint machines since June 2019.

Circular No.
03/2017 dated 19
April 2017 and

3.3 Human Resources Management

Audit Observation	Recommendation	Comment of the Accounting Officer
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(a) There were 43 vacancies.	Actions should be taken to fill the vacancies of the council.	Actions will be taken by the Commissioner of Local Government of Eastern Province.
(b) An outstanding balance of Rs. 99,695 which should be recovered from 02 officers who were interdicted prior to the year 2017 and 02 retired officers, had not been recovered.	Actions should be taken to recover.	<ul style="list-style-type: none"> • Actions will be taken to recover the outstanding balance of the interdicted officers from the guarantors. • Actions will be taken to recover the outstanding balance of the pensioners by coordinating with the Pensions Department.

3.4 Operational Inefficiency

Audit Observation	Recommendation	Comment of the Accounting Officer
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Although 04 permanent officers and 04 temporary officers have been appointed and separate as 04 committees to recover rate taxes of the Municipal Council from 2014 to 2018, due to the failure in assigning the duties of minimum amount that should be charged on a daily basis, the amount of rate tax notices to be issued on a daily basis, it was unable to obtain evidences on the number of houses for which rate notices were issued during duty hours, duration of duty and actual work records.	Actions should be taken to state proper management and increase revenues.	Required actions were taken up to now.

3.5 Assets Management

3.5.1 Failure to perform repairs and Maintenance

Audit Observation

Although 13 motor vehicles and machines that belong to the municipal council were kept without repairing, actions had not been taken either to repair them or to sell in auction or destroy 23 machines and vehicles which are not in usable condition.

Recommendation

Proper actions should be taken.

Comment of the Accounting Officer

Actions will be taken in the future with the approval of the council.

3.5.2 Idle / Underutilized Assets

Audit Observation

- (a) It has been unable to provide public services due to the safety equipment of the fire brigade, firefighting equipment, water pipes and fixtures not being repaired for a period of two years.
- (b) Children's beach park had been constructed in the Kalmunai and Sainthamarudu area which belongs to the Municipal Council jurisdiction, under financial aids of Ministry of City Planning and Water Supply incurring Rs 26,780,072 and Rs. 8,267,830 respectively. Since it had not being used by the council, the installed equipment and goods had become unsafe and damaged, and the place had become a cattle habitat.

Recommendation

- Actions should be taken to provide the maximum service in the Municipal council jurisdiction regarding public well-being.
- Actions should be taken to use the Children's Beach park with the intention of increasing the public wellbeing of the Municipal Council jurisdiction, and to protect the fixed equipment and goods.

Comment of the Accounting Officer

- It will be corrected in the year 2019.
- Actions will be taken in due course.

3.6 Procurement

Procurement Plan

Audit Observation	Recommendation	Comment of the Accounting Officer
A procurement plan had not been prepared for the year under review.	Actions should be taken to prepare a procurement plan.	Actions will be taken to prepare a procurement plan in the future.

4 Accountability and Good Governance

4.1 Audit and Management Committees

Audit Observation	Recommendation	Comment of the Accounting Officer
Audit and Management committees had not been established and no committee meetings had been held in the year under review.	Actions should be taken to establish Audit and Management Committees and to hold meetings.	Arrangements will be made to start in the coming year.

4.2 Unresolved audit observations

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) Although a sum of Rs. 123,000 had been paid to prepare notice boards on the office structure in the year of 2013, the said boards had not been fixed even up to 18 October 2018.	Actions should be taken to fix the said board.	A large meeting was held in the santhakeni ground which is on the east of the said square. Large machinery and equipment were used to prepare the ground in that occasion. The said name boards were removed with intentions of fixing again in order to operate the said machinery. But they were not fixed even up to now. The place where said name boards were kept cannot be located. The internal Audit division was informed to present a report after inspecting this matter.

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| (b) | Six cheques valued at Rs. 544,154 relating to guarantee deposit of Meat shop lease rent had been dishonored after depositing to the bank. The responsible officials in this regard had not taken any action on this matter, no disciplinary actions had been taken against them. | Actions should be taken against the said officer. | Documents were insufficient in this regard. |
| (c) | The funds that were given under Provincial specific development aid in the year 2009 to carry out development activities had been deposited in Rs. 3 million of fixed deposits and Rs. 2,468,590 in current account, without being used for the relevant purpose. | Actions should be taken to use the given funds for the relevant purpose. | There was a need for funds for provincial development work in the future. Actions will be taken to recover the amount in the fixed deposit. |
| (d) | Although the Mayor of the Municipal Council had paid mobile phone bills valued at Rs. 13,011, twice in the year 2015 for a period of 03 months from December 2014 to February 2015, Actions had not been taken in this regard. | It should be recovered by taking necessary actions. | The former Mayor was informed to pay the overpayment back in this regard through registered mail. |
| (e) | Although it was told that learning equipment for school children were bought by incurring a sum of Rs. 124,969 from the Municipal Fund and the said equipment were handed over to Al-Ameen College, Kalmunai, according to the written statement that was obtained by the principal of the said college on 25 September 2017, that equipment had not been given to the said school. | Actions should be taken to hand over to the school. | Letters were sent to the former Municipal Councilor requesting to provide evidence within two weeks that the said equipment was received by the school, and informing that in case of failure to provide the requested evidence, actions will be taken to recover the said amount. |