

Kinniya Urban Council

Trincomalee District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to Audit on 23 June 2020 and the summary report of the Auditor General on the financial statements had been forwarded to the Chairman on 04 September 2020 and the detailed management report had been sent on 09 September 2020.

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 Urban Council as at 31 December 2019 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

(a) Accounting Deficiencies

Following deficiencies are observed.

Accounting Deficiencies	Recommendations	Comments of the Accounting Officer
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(i) According to the Board of Survey Report of the year 2018, 78 items had been sold for Rs.40,920 and only the sales value of that had been deducted and shown.	Steps had to be taken to deduct the value based on the product.	Items sold at Rs.40,920 according to the Board of Survey could not be removed its value from the respective assets by an error. I would kindly inform that the it will be removed from the respective assets.
(ii) From the specific allocated provincial council fund, under the strengthening programme of the Ministry of City Planning and Water Supply and Drainage, payment of bills such Rs.3,440,215, Rs.12,892,866 and Rs.4,582,732 respectively for the implementation of 05 projects should have been sent to the relevant Ministries and the relevant	Action should be taken to accounted for.	I kindly inform you that this will be implemented in the next final accounts.

money should have been received from that place and given to the due contractors but the value of receipts and payments had not been accounted.

(b) Suspends Account

Audit Observation	Recommendation	Comments of the Accounting Officer
Without taking actions to identify and written off the suspense balance Rs.29,358,517, the entire value had been written off from Accumulated Fund.	It should identify the account balance accurately and action should be taken to settle.	I kindly inform that in respect of the suspense account settled during the year 2018, decision had been taken to take action by a committee established by the Assistant Commissioner of Local Government.

(c) Lack of Evidence for Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
Due to non-submission of required information, 08 account subjects amounting to Rs. 145,375,012 could not be examined satisfactorily during the audit.	Action would be taken to obtain adequate evidence	I would kindly inform that action had been taken to prepare documents for evidence.

1.4 Non-Compliances

Non-compliances with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance to laws, rules, regulations and management decisions are given below.

Reference to Laws, Rules, Regulations and Management Decisions	Non-Compliances	Recommendation	Comments of the Accounting Officer
Financial Regulations of the Democratic Socialist Republic of Sri Lanka			

- (i) Financial Regulation 396 Appropriate actions had not been taken in respect of 11 cheques Action should be taken as per I would kindly inform that in respect of 06 months

- totalled Rs.147,500 issued before financial regulations. lapsed cheques necessary actions had been taken by submit them to the Sabha.
- 06 months but not presented for payments to the bank.
- (ii) Financial Regulation 571 Action had not been taken for the bid deposits lapsed over 02 years valued at Rs.6,713,385 to settle them by paying or transfer to revenue as per Financial Regulations. Action should be taken as per financial regulations. I kindly inform that relevant actions had been taken for the lapsed deposits over 02 years and as well as transfer to the revenue.
- (iii) Financial Regulation 880 As administratively authority had been assigned to 04 Officers in handling cash, stores items and signing of cheques, the surety deposit was not forthcoming as the amount of the security deposit due from them was not determined. Action should be taken to obtain sureties from the respective officers. I kindly inform that action had been taken to discuss in respect of the surety to be charged with the officer's concern and decide the amount.

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the revenue over recurrent expenditure for the year ended 31 December 2019 amounted to Rs.5,468,883 when compared with the revenue over recurrent expenditure of the preceding year amounted to Rs.10,171,996.

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	2019				2018			
	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
Rates and Taxes	2,300	389	274	1,629	2,000	752	83	2,299
Rental	500	13,107	11,284	12,307	11,500	8,718	9,536	11,529
Total	<u>2,800</u>	<u>13,496</u>	<u>11,558</u>	<u>13,936</u>	<u>13,500</u>	<u>9,470</u>	<u>9,619</u>	<u>13,828</u>

2.2.2 Rates and Taxes

Audit Observation

Lands, constructed houses and buildings etc. at the authoritative area of the Council, had not been recovered rates in arrears since the year 2006 to the end of the year under review totalled Rs.1,628,639.

Recommendation

Action should be taken to recover the arrears.

Comments of the Accounting Officer

Actions that had been taken to collect moreassessment tax income when compared with the preceding year. I kindly inform that action had been taken to collect assessment tax in arrears through the officer in charge of tax income.

2.2.3 Fish market lease rental

Audit Observation

Action had not been taken to recover the fish market lease rental Rs.7,431,250 in arrears from the period of 2008 to 2019.

Recommendation

Action should be taken to recover lease rental in arrears.

Comments of the Accounting Officer

I would kindly inform that in respect of the lease rental in arrears at the fish market for the period 2011 to 2013 the legal case is being underway. And for the rest of the arrears, Letter of Demand had been issued through the Lawyer of the Sabha and steps were taken to issue for the year 2019 too.

2.2.4 Beef Stall Lease Rent

Action had not been taken up to now, to recover Beef Stall Lease Rent arrears Rs.2,776,726 for the period of 2007 to 2019 by the Sabha

Action should be taken to recover lease rental in arrears.

Letter of Demand had been issued for the beef stall rent in arrears from the period of 2007 to the date now. Arrears income from some of the beef stalls had been collected by filing cases at the Mediation Board. However, it was decided to take legal actions for the remaining arrears.

2.2.5 Chicken Stall Lease Rent and Dried Fish Stall Lease Rent

Action had not been taken up to now, to recover Chicken Stall Lease Rental and Dried Fish Stall Lease Rental in arrears Rs.1,516,683 and Rs.244,010

Action should be taken to recover lease rental in arrears.

I kindly inform you that, cases are pending against the tenant of the chicken meat stalls in the years 2017 and 2018 and it has been decided to take legal action against the tenants

respectively for the period of 2017 to 2019 by the Sabha.

of other chicken stalls and dried fish stalls.

2.2.6 Weekly market, Vegetables market and Restaurant Lease Rent

 Action had not been taken up to now, to recover weekly market rental in arrears Rs. 220,055 for the year 2009, vegetable market lease Rental in arrears Rs.16,300 relevant for the year 2017 and Restaurant lease rental in arrears Rs.101,875 for the years 2018 and 2019 by the Sabha.

Action should be taken to recover lease rental in arrears.

I kindly inform you that the Mediation Board has decided to take legal action against the arrears of rent at the weekly fair, vegetable market and restaurants.

2.2.7 Courts Fines

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
Action had not been taken to collect the entire Courts fines up to the end of the year under review until the date of audit of 02 July 2020.	Action should be taken to collect Courts fines relevant to the year under review.	I kindly inform that, Rs.5,580,899 had been calculated for the period ranging from 2019 August to 2020 January.

3. Operational Review

3.1 Performance

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
<p>Environmental Issues</p> <p>-----</p> <p>Riverside area had been polluted due to disposing of garbage by the people of the area to the nearest riverbank of Karachchi road at the authoritative area Urban Council. This was mentioned in the last year's report, but so far, any action had not been taken by Urban Council.</p>	Action should be taken to keep the environment clean.	The Urban Council had taken action with the Police with regard to dumping of garbage near riverbanks and has banned the dumping of garbage in places. I would also like to inform you that bill-boards have been installed.

3.2 Management Inefficiencies

Following observations are made.

Audit Observations	Recommendations	Comments of the Accounting Officer
----- Twenty-two sewing machines were donated to Urban Council under the funding of the Canadian International Development Agency, in the year 2008 were inactive as at the end of the year under review. However, the action had not been taken to repair and use them.	----- Action should be taken to use the asset in proper manner.	----- 22 sewing machines that need to be repaired had been identified and action had been taken to repair them.

3.3 Human Resource Management

Audit Observation	Recommendation	Comments of the Accounting Officer
----- The post of accountant is vacant since the last 08years but any action had not been taken so far to fill the vacancy.	----- Action should be taken to fill the vacancy.	----- Though several times requests had been made from the Department Local Government, but action had not been taken to fill the vacancy.

3.4 Operation Inefficiency

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Property Tax assessment value for 07 zones at the authoritative area was carried out in 2012 by the Department of Valuation and given to the Sabha. However, based on the year 1999 tax assessment, property tax is levied until now.	----- Action should be taken to levy tax based on the year 2012.	----- The property assessment tax had been done during the year 2012 but when requesting textures in respect of certain zones from the Department of Valuation they failed to submit them, had caused unable to execution it to the Sabha. However, I kindly inform you that action will be taken to execute in the year 2021.

3.5 Transactions in Contentious Nature

Audit Observation	Recommendation	Comments of the Accounting Officer
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A sum of Rs.127,443 had been paid to the Secretary and Administrative officer of the council during the year under review without ensure the time by fingerprint machine.	Action should be taken to confirm the occurrence of works in accordance with the circular.	This shortcoming won't behappened in the future.

3.6 Assets Management

3.6.1 Non-transfer of the Ownership of Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
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Seven vehicles used by the Sabha was donated by other institutions. However, no action had been taken to take over the ownership of the vehicles.	Action should be taken to transfer the ownership to Urban Council.	Request had been made in respect of the transfer of ownership to the place of Department of Motor Traffic, ElvitigalaMawatha, Colombo. kindly inform you that further action will be taken in this regard.

3.6.2 Idle Assets

Audit Observations	Recommendations	Comments of the Accounting Officer
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Mahindra cab type tractor and motor cycle had been idle for more than 05 to 07 years without being taken actions to repair and use them.	Action should be taken to repair or dispose.	I kindly inform you that process of disposing assets is ongoing.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
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The Council had not established an internal audit unit.	The Internal Audit Unit should be established andexecuted.	An Internal Audit Management Committee had been appointed.

4.2 Audit and Management Committee

Audit Observation	Recommendation	Comments of the Accounting Officer
Even though as per the Section 5.3 of the Circular No. DMA/01-2019 of the Department of Management Audit, the Sabha should conduct at least one meeting in each quarter, none of the meeting had been conducted during the year under review.	Action should be taken to conduct Audit and Management Committee meetings for each quarter.	I would kindly inform you that Audit committee meetings for each quarter will be held in future.