

Trincomalee Urban Council - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Trincomalee Urban Council including the financial statements for the year ended 31 December 2023 comprising the balance sheet as at 31 December 2023, Income and Expenditure Account, Cash Flow Statement for the year, significant Accounting Policies and other explanatory information was carried out, for the year then ended, under my direction in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 181 (1) of Urban Council Ordinance (Chapter 255) and provisions of the National Audit Act No.19 of 2018. My comments and observations which I consider should be presented in Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Trincomalee Urban Council as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practices.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.6 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Practices, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Urban Council's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the urban council is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements.

1.4 Audit Scope (Responsibility of the Auditor for the audit of Financial Statements)

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercised professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of its internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Urban Council, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Urban Council has complied with applicable written law, or other general or special directions issued by the governing body of the Urban Council.
- Whether it has performed according to its powers, functions and duties; and
- Whether the resources of the Urban Council had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Report on Other Legal and Regulatory Requirements

The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements.

- (a) The financial statements of the Urban Council presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- (b) The financial statements presented includes all recommendations made by me in the previous year as per the requirement of Section 06 (1) d (iv) of the Audit Act No. 19 of 2018.

1.6 Audit observations regarding the preparation of financial statements

1.6.1 Accounting Deficiencies

	Audit Observations	Comments of the Council	Recommendations
(a)	A value of the books purchased or received as donation in the year under review had been stated sum of Rs.384,162 instead of a cumulative sum of Rs.467,579 in the fianacial statements.therefore it was understated Rs.83,417.	Action will be taken to adjust the value of donation books in current year final accounts.	Action should be taken to add the donation assets into accounts.
(b)	14 machine instruments and equipments purchased totaled a sum of Rs. 2,600,000 for riceflour packing factory, linganagar under the Local development support project (LDSP) in the year under review had not been included in the financial statements.	Machine instruments and equipments purchased to linganagar rice flour packing factory under the Local development support project (LDSP) totaled a sum of Rs. 2,600,000 had been included in the final Accounts.	Action should be taken to include the machine instruments and equipment in the financial statements.

1.6.2 Documentary evidenced not made available for Audit

Audit Observations	Comments of the Council	Recommendations
(a) The proper documents and evidence to be verified in regard to a sum of Rs. 5,010,261 shown as handover to electricity board in the financial statements more than 14 years had not been submitted.	Proper action will be taken once obtained details and explanation regard that from electricity board.	Action should be taken to obtain proper documents.
(b) Proper documents, ledgers and evidences to be verified had not been submitted regarding a sum of Rs. 1,041,246 arrears of special advance payment provided before 2008.	Action will be taken once the details obtained	Do
(c) Proper documents, Ledger and evidences to be verified had not been submitted in regard to a sum of Rs. 110,137 recoverable utility services shown under asset account in the financial statements more than 15 years.	Any documents for recoverable utility services has not been now identified. Therefore that will be submitted after obtain the documents.	Action should be taken to submit the evidences related to each element in the financial statements.

1.7 Non-Compliances

1.7.1 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Observations related to non-compliances with Laws, Rules, Regulations and Management decisions etc. are shown below.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
(a) Section 571(1)(2) (3) of Financial Regulation of the Democratic Socialist Republic of Sri Lanka	Action had not been taken to repay the repayable retention to the constructors.	Action has been taken after retention had been verified throughly in proper way.	Action should be taken accelerate in term of financial regulation.

(b) Other circulars

Circular dated 24th January 2018 dated 05/2018 Local Government - 01 for Local Government institutions A special human resource development plan for the sabha had not been prepared to identify the skill gaps to be acquired by the sabha's workforce and annual performance contracts had not been signed. During the current year, management is focusing on the process of signing annual performance contracts. Appropriate action should be taken as per the circular.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2023 amounted to Rs. 59,152,235 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 96,899,734 in the preceding year.

2.2 Revenue Administration

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

The details relating to Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below.

Source of Revenue	2023				2022			
	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
(i) Rates and Taxes	39,105,000	143,594,750	45,418,121	98,176,629	42,355,000	40,376,000	41,992,000	100,061,000
(ii) Rent Income	32,320,000	83,764,504	29,818,993	53,945,511	36,570,000	28,925,000	20,727,000	45,623,000
(iii) License Fees	18,783,460	23,504,203	22,736,968	767,235	12,668,000	19,124,000	19,124,000	--
(iv) Other revenue	17,423,000	172,415,963	92,113,921	80,302,042	14,330,000	11,038,000	6,038,000	33,212,000
Total	<u>107,631,460</u>	<u>423,279,420</u>	<u>190,088,003</u>	<u>233,191,417</u>	<u>105,923,000</u>	<u>99,463,000</u>	<u>87,881,000</u>	<u>178,896,000</u>

2.2.2 Revenue Collection Performance

Following are observations on the performance of all revenue collections of the council.

Audit Observations	Comments of the Council	Recommendations
(a) Rate and Tax		
The council had not been taken proper action to recover the total sum of Rs. 88,514,106 arrears of rate tax in the ended year under review.	Action has been taken to recover the arrears	Action should be taken to recover the arrears.
(b) Rent		
(i) The arrears for 390 shoops totalled amount of Rs. 49,138,586 had not been recovered for 13 years.	Special attention has been paid to recover the arrears from lessee which is seen in long time.	Proper action should be taken to recover the arrears.
(ii) There is to pay 30 percent of profit generated in the fish market building complex to the council as per the agreement made between urban council and ministry of fisheries and marine resources. However, the arrears amounted Rs. 8,302,842 had not been recovered from 2014 to review year.	They agreed to pay monthly rent which is fixed by valuation department.	Action should be taken to recover the arrears.

2.2.3 Stamp Duty

Audit Observations	Comments of the Council	Recommendations
As the council was fail to request an amount of Rs.43,836,720 stamp duty recovered when transferred the immovable assets in the sabha jurisdiction from 2020 to 2022 from provincial treasury, this amount had been entered as income of provincial fund.	Action will be taken to obtain the arrears stamp duty.	Action should be taken to obtain the stamp duty.

3. Operational Review

3.1 Identified loss

	Audit Observations	Comments of the Council	Recommendations
(a)	A uninsurance vehicle owned to the council had been accidented in 2023. However, the preliminary report and final report of the accident had not prepared in term of financial Regulation.	Other action had been taken regarding the vehicle.	Proper action should be taken.
(b)	The Assets such as 06 gas slinders till unindentify the money value and vehicle parts for using cremation process in hindu cemetery had been stolen. However, this matter had not been shown in the financial statements and not been taken to prepared the preliminary report and final report of loss.	The preliminary report had been sent to the chief Minister for further action.	Do

3.2 Management inefficiencies

	Audit Observations	Comments of the Council	Recommendations
(a)	Staff quarters		
(i)	The ledger for 69 quarters owned to the urban council had not been maintained. Hence analysis for recovering the rent had not been taken.	Action had been taken to remove the unusable quarters.	Action should be taken to maintain ledgers and update timely.
(ii)	A sum of Rs. 1,699,772 rents had been lost due to no agreement made with incumbent secretary of education ministry from 2005 for occupied staff quarters No 19 located in the st. antony's street.	Action will be taken to consult with chief minister and education minister regard this matter.	Action should be taken to recover the rent.
(b)	The council had not been taken action whether to convert into revenue account or repay to the particular depositors in related to the total sum of Rs.72,798,344 deposits	Action should be taken for converting deposit amount to	proper Action should be taken

included repayable deposits in the financial statements above 05 to 20 years. the revenue account in the current year.

3.3 Performance inefficiencies

Audit Observations	Comments of the Council	Recommendations
(a) 126 shops owned to urban council had not been provided to rent from 2019. Therefore, A cumulative sum of Rs. 22,793,053 income had been lost	Those shops will be changed and leased in future.	Action should be taken to provide lease the shops.
(b) A sum of Rs. 10 million items purchased at August 2023 for establish the tourism training center had not been utilized and to be idle.	The items will be used for particular purpose after completing the construction of tourism training center.	Action should be taken to achieve the proper purpose

3.4 Asset Management

Audit Observations	Comments of the Council	Recommendations
(a) The machine valued Rs.5,695,830 fixed for burning the hospital wastage had not been used form 2018 up to now.	The particular machine was not efficient for whether use or reaire economically.	Action should be taken to achieve the proper purpose
(b) 48 shops in the central Market building complex had not been utilized from 2009 up to now.	Action will be taken to lease in future.	Action should be taken to earn the income.
(c) Despite the fact that 40 vehicles belonging to the urban council are found to be unusable for a long time, steps had not been taken to remove them or auction them.	Action will be taken to sell these vehicles once obtained the valuation report.	proper action should be taken

3.5 Human resource Management

Audit Observations	Comments of the Council	Recommendations
(a) Action had not been taken to fill the 120 vacamcies such as 74 at primary level, 44 at secondary level and 02 at seniority level	Steps are taken continuously to fill the vacancies.	Proper action should be taken to solve these lacks.

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| (b) | The officers to be in the Sri Lanka Administration service and Sri Lanka Accountant service had not been appointed as the Secretary and the Accountant cadre had been vacated more than 07 years. | Do | Proper action should be taken to solve these lacks. |
| (c) | In according to the loan ledger for staff, a sum of Rs. 500,752 unidentified loan arrears under the arrears balance had been. However the council had not been taken action to recover it. | Action will be taken to adjust the above-mentioned amount. | Action should be taken to solve immediately for this arrear. |

4. Accountability and Good Governance

4.1 Sustainable development goal

Audit Observations

The necessary action for achieving the sustainable development goal had not been taken in term of the Sustainable Development Act No. 19 of 1917.

Comments of the Council

The programme had been prepared for achieving sustainable development goal in 2030

Recommendations

Steps should be taken to prepare the agenda for sustainable development goal.