

**Kanthale Pradeshiya Sabha**  
**Trincomalee District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

Financial Statements for the year 2019 had been submitted to audit on 27 February 2020 and the summarized Auditor General's Report relating to that was sent to the Chairman on 15 July 2020 and the detailed management report sent on 15 July 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 Kanthale Pradeshiya Sabha as at 31 December 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Basis for Qualified Opinion**

**(a) Accounting Deficiencies**

	<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(i)	The security deposit amount of Rs.83,000 had been setoff by the balance sheet without disclosure.	Should be disclosed in the financial statements in future.	Action will be taken to include in the financial accounts of the year 2020.
(ii)	A sum of Rs.12,608,287 received under warrant charges and fines for the period from March 2017 to November 2018 was accounted for as income for the year under review.	income should be disclosed by the accounts.	I kindly inform you that action will be taken to correct the statement of accounts in the year 2020.
(iii)	It was understated the receipts by Rs.2,365,000, payments by Rs. 50,000 and bank charges by Rs. 450 in the year under review due to not accounting for income and expenditure by amending the cash book relevant to the bank account number 4940252 of the Bank of Ceylon.	Adjustments should be made to the revised cash register and the revenue and expenditure for the year should be accounted for.	Bank statements will be received by us after the relevant month. Therefore, it was possible to identify direct remittances on 08.01.2020. Accordingly, I kindly inform you that it is not possible to adjust the relevant direct remittances to the bank balance in the cash book.

- (iv) The stamp duty of Rs. 596,959 received for the year 2015 was debited to the arrears stamp duty account and credited to the stamp duty receipt account. Should be adjusted to next year's account. Action will be taken to correct by the statement of accounts in the year 2020.
- (v) The amount of Rs. 769,161 received in respect of Rates and Tax arrears for the previous year is considered as income for the year under review. Income relevant to the year should be identified. Action will be taken to correct by the statement of accounts in the year 2020.

(b) **Lack of Documentary Evidences for Audit**

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Audit Observation	Recommendation	Comments of the Accounting Officer
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Detailed schedules and age analysis for 09 accounts amounting to Rs. 240,473,768 had not been submitted for audit	Registers should be updaed yearly.	As a qualified secretary has not been appointed, the final accounts and documents to be maintained have not been properly dealt with. Therefore, it is difficult to find detailed information on the opening balance in office documents.

1.4 **Non-Compliances with Laws, Rules, Regulations and Management decisions**

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Reference to Laws, Rules, Regulations and Management decisions	Non-Compliance	Recommendati on	Comments of the Accounting Officer
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(a) <b>Pradeshiya Sabha Act No.15 of 1987 -</b> -----			
(i) Section 24	The roads were not taken to the inventory and not been gazetted.	Action should be taken in accordance with the provisions of the Act.	A road inventory has been prepared for the year 2019 and the roads are being redesigned using GPRS technology on the instructions of the Local Government Commissioner. I will inform that it will be gazetted.

(ii)Section159	No action had been taken to recover the arrears income of Rs. 30,624,949 due at the end of the year under review.	The arrears of income should be recovered without delay.	Action will be taken to discuss and recover in the future.
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**(b) 1988 Pradeshiya Sabha (Finance & Administration) Regulations**

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(i) Regulation 33	Failure to maintain a list of outstanding rates and taxes payers.	Rules must be followed.	Efforts are being made to maintain a list of outstanding rates and tax payers.
(ii) Regulation 218	All land and buildings were not surveyed every year.	Rules must be followed.	Work is underway to verify ownership. Once the correct information is received, action will be taken to commence the survey.

**2. Financial Review**

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**2.1 Financial Result**

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According to the financial statements presented, the recurrent revenue over expenditure for the year ended 31 December 2019 amounted to Rs. 10,508,619 against with the expenditure over recurrent revenue of the preceding year amounted to Rs. 2,547,663.

**2.2 Revenue Administration**

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

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Revenue Source	2019				2018			
	Estimated Revenue Rs.000	Billed Revenue Rs.000	Collected Revenue Rs.000	Arrears as at 31 December Rs.000	Estimated Revenue Rs.000	Billed Revenue Rs.000	Collected Revenue Rs.000	Arrears as at 31 December Rs.000
Rates and Taxes	2,217	2,217	1,531	9,695	2,288	2,323	2,223	9,009
Rent	6,170	6,170	2,955	4,989	16,650	4,913	3,159	1,774
Other Income	4,500	4,500	11,659	11,660	2,725	2,725	1,266	11,810
	<u>12,887</u>	<u>12,887</u>	<u>16,145</u>	<u>26,344</u>	<u>21,663</u>	<u>9,961</u>	<u>6,648</u>	<u>22,593</u>

## 2.2.2 Rates and Taxes

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- Considering the recovery of rates and taxes, it is as low as 13.6 percent of the opening arrears and billed amount. Furthermore, the Sabha has not yet implemented successful measures to recover these long outstanding arrears.	----- Rates and Taxes should be recovered promptly.	----- Arrangements have been made to issue warrants and recover arrears in installments.

## 2.2.3 Stamp Duty

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- At the end of the year under review, Rs. 6,733,171 and Rs.4,926,635 were due for stamp duty and court fines under other incomes respectively.	----- The arrears of stamp duty should be recovered without delay.	----- The Provincial Revenue Department has made submissions to obtain the relevant funds.

## 3. Operating Review

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### 3.1 Performance

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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

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- Although By-Laws are to be imposed to accomplish 28 key matters in respect of Section 126 of the Pradeshiya Sabha Act, by-laws had been prepared in the	----- By-laws must be approved.	----- 09 by-laws have been prepared and submitted to the Kantale Pradeshiya Sabha in the year 2019 for the approval of the Hon. Governor.

year 2013 relating to 11 matters but not been imposed even by 31 December 2019.

Once approved, I will prepare the remaining by-laws and submit them for approval.

**(b) Solid Waste Management**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Solid waste management was not carried out properly.	Existing problems in solid waste management need to be addressed expeditiously.	Not Answered.

**(c) Environmental Liscence**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
There was no formal arrangement for the issuance of environmental protection permits.	An annual business survey should be conducted to identify the enterprises that need to obtain environmental licenses.	Reminder letters will be sent 2 months prior to the expiry of the license. I would like to inform that the Revenue Inspector has been informed to look into the businesses which have not been renewed by 2017 after obtaining the 2014 licenses.

**(d) Sustainable Development Goals**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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.	Programs should be implemented by identifying the Sustainable Development Goals / Objectives.	The Sabha has accomplished a number of functions related to the Sustainable Development Goals in the year 2019. I would like to inform you that a separate program on the subject of achieving the Sustainable Development Goals has not been specifically allocated and no files have been prepared to maintain that objective / goals or only a plan to achieve those objectives.

### 3.2 Management Inefficiencies

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
a) No action had been taken to charge from 07 telephone towers.	Action should be taken to obtain revenue.	The service charges to be levied could not be recovered as the by-laws were not in force. We kindly inform you that proposals have been made to charge a service charge of Rs. 20,000 per annum to the Sabha to be held on 23.06.2020.
b) In providing material assistance, material assistance had been provided without obtaining the approval of the Divisional Secretary with the recommendation of the Grama Niladhari regarding the income status of the persons.	Eligibility should be checked and material assistance should be obtained.	This assistance has been provided at the request and recommendation of the Member representing the relevant division.

### 3.3 Operational Inefficiencies

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
The arrears of rent at the bus stand stalls were Rs. 1,007,890 and the arrears of rent at the general market stalls was Rs.2,999,280. In implementing all the observations passed in September 2018 regarding the closed stalls here, the Sabha had lost more than 2 million revenue annually due to its unfavorable performance.	A mechanism should be devised to recover the arrears to the advantage of the Sabha.	The lease of the stalls was done in 2017 and more than a year had passed since the Sabha was established. By then, businesses were paralyzed and many shops were closed. The lease period was 03 years. Since most of the stalls were closed, in order to make the Kantale Public Market a attractive market place, it was decided by a unanimous decision of the Sabha to provide the closed shops for Rs. 5,000 and I would like to point out that every time a second bidder requested a tender, the shops which were not so requested were given.

### 3.4 Human Resource Management

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) Vacancies in the posts of Development Officer, Revenue Inspector, Mechanical Operator, Work Inspector and Equipment Operator had not been filled during the year under review.	Vacancies should be filled.	The monthly staff report has been sent. The relevant appointing authority has not yet taken any action in this regard.
(b) There were an excess of 33 for 07 approved posts.	Excess needs to be formalized.	I kindly inform you that action will be taken to not to recruit excess employees.
(d) Employee loan due from 08 employees who left the service and were dismissed amounted to Rs.1,458,314.	Should act in accordance with the Establishments Code.	One employee has been jailed for financial fraud and the money cannot be recovered. Another has not reported for duty since being elected as a Member of Parliament. As the cost of legal action is higher than the balance due, I would like to inform you that a council decision will be taken to write off as the bad debt. Letters have been sent to the relevant institutions to obtain the money of the retired officer. The office has been informed to recover the amount due from an officer who is currently working in the Zonal Education Office.

### 3.5 Assets Management

#### 3.5.1 Under Utilized Assets

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) It was observed that 03 vehicles were kept idle in the premises without being used.	Underutilized assets should be fully utilized.	I would like to inform that it will be repaired and used.

- (b) A car had been left to decay for more than 11 years and two tractor trailers had been left to decay for five years. Should be auctioned off as soon as possible. It was informed the Office of the Engineer in writing to auction off decayed vehicles.

### 3.5.2 Vehicle Administration

Audit Observation	Recommendation	Comments of the Accounting Officer
No action had been taken to take over 03 vehicles used by the Sabha.	Vehicles that can be taken over should be taken over.	Not Answered.

### 3.6 Procurement

#### 3.6.1 Procurement Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) A procurement plan was prepared without giving specific details and values.	A formal procurement plan should be prepared.	I kindly inform you that the procurement report has been prepared by 2020 after completing the shortcomings pointed out.
(b) Instead of making bids through the officers for the purchase of goods, the prices obtained by the Members were given to the subject clerk and goods and services worth Rs. 8,709,955 were procured on those prices.	Procurement guidelines should be followed.	I kindly inform you that the procurement work has been done by the officers on the instructions of the Hon. Chairman of the Sabha and the Members have not directly participated in it.

### 4. Accountability and Good Governance

#### 4.1 Audit and Management Committee

Audit Observation	Recommendation	Comments of the Accounting Officer
Although the Audit and Management Committee meetings were held, the Audit Officers and the Chairman were not present for that.	Committee meetings should be held with the mandatory participation of the head of the institution.	Four Internal Audit Committees have been held for the year 2019 and I would like to inform you that action will be taken to hold the relevant Committees with proper participation from the year 2020.