

Kurunegala Municipal Council - 2021

1. Financial Statements

1.1 Disclaimer Opinion

The audit of the financial statements of the Kurunegala Municipal Council for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial operations, and cash flow statement including a summary of significant accounting policies and other explanatory information, was carried out 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 219 of Municipal Council Ordinance (Cap.252) 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.

I do not express an opinion on the accompanying financial statements of the Kurunegala Municipal Council. Because of the significance of the matters discussed in the section 1.6 of this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

1.2 Basis for Disclaimer of Opinion

Based on the matters described in section 1.6 of this report, I express a disclaimer of opinion on the financial statements.

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 Municipal Council's financial reporting process.

As per Sub-section 16 (1) of the National Audit Act No. 19 of 2018, the Municipal Council is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

1.4 Scope of Audit (Auditor's Responsibility in Auditing 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 exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed identify and assess the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained 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 the 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 Municipal Council, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Municipal Council has complied with applicable written law, or other general or special directions issued by the governing body of the Pradeshiya Sabha
- Whether the Municipal Council has performed according to its powers, functions and duties; and
- Whether the resources of the Municipal 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 Requirements

National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

- (a) The financial statements of the Municipal Council are in consistence with that of the previous year as required by Section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- (b) The recommendations made by me during the previous year are included in the financial statements presented as required by Section 6(i)(d)(iv) of the National Audit Act, No. 19 of 2018.

1.6 Audit Observations on the Preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observations	Comment of the Council	Recommendation
<p>(a) Although the annual shop rental billing that should be stated under the revenue head 50323 was Rs. 10,817,988, it had been stated as a negative value (Rs. 89,772,914) in the income and expenditure account. Accordingly, the revenue had been understated by Rs. 100,590,902.</p> <p>(b) Although the salary reimbursement pertaining to the year under review was Rs.230,546,883, it had been stated as Rs.189,037,082 thus understating by Rs.41,509,801 in the financial statements.</p> <p>(c) Although the stamp duty income of the year under review had been identified as Rs.110,506,203, it had been brought to account as Rs.14,968,700 in the income and expenditure account. Accordingly, a sum of Rs.95,537,503 had been understated in the financial statements.</p> <p>(d) Although the court fine income of the year under review was Rs.4,424,725, a negative value of Rs. 2,229,075 had been stated in the income and expenditure account and as such, the revenue and the accumulated fund had been understated by Rs. 6,653,800.</p>	<p>It is informed that the corrections will be made in the ensuing year.</p>	<p>Accuracy should be ensured in accounting.</p>

<p>(e) Due to omission of 60 tabs of the Sabha worth Rs. 1,948,545 from the accounts, the office equipment account and the revenue contribution to capital input account had been understated.</p>	<p>It is informed that the corrections will be made in the ensuing year.</p>	<p>Accuracy should be ensured in accounting.</p>	
<p>(f) Although the value of motor vehicles and carts as at 31 December of the year under review amounted to Rs. 213,038,000, it had been stated as Rs.251,621,712. Accordingly, non-current assets and the revenue contribution to capital input account had been overstated by Rs.38,583,712 in the financial statements.</p>	<p>It is informed that action will be taken to make corrections in the year 2022.</p>	<p>Accuracy should be ensured in accounting.</p>	
<p>(g) Although the general supply creditors as at 31 December of the year under review was Rs.57,133,992, it had been stated as Rs.39,349,168, thus understating by Rs.17,784,824 in the financial statements.</p>			<p>(h) The financial assistance of Rs. 21,692,847 received from the State Ministry of Provincial Council and Local Government for 02 constructions in the year under review had not been stated under the capital grants and capital expenditure and as the debtors and creditors in the financial statements.</p>
<p>(i) Although the fixed deposit interest of the Bank of Ceylon relating to the year under review was Rs.4,206,376, it had been brought to account as Rs.11,209,116, thus overstating by Rs.7,002,740. Accordingly, the revenue and the receivable revenue had been overstated.</p>			<p>It is mentioned that it has not been shown as the closing stock as at 31 December 2021.</p>
<p>(j) The stock of fertilizer sacks worth Rs.4,357,008 that was available in the Sundarapola waste yard as at 31 December of the year under review had not been brought to account.</p>			

(k) A stock of 343 tons of fertilizers worth Rs.3,430,000 that was available in the Sundarapola waste yard as at 31 December of the year under review had not been stated in the financial statements.	It is required to consider the Sundarapola fertilizer manufacturing unit as a separate unit and account for accordingly. Therefore, that accounting method will be started in the future.	Accuracy should be ensured in accounting.
(l) Although the Sabha had filed cases against 19 external parties and 07 external parties had filed cases against the Sabha as at 31 December of the year under review, it had not been disclosed in the financial statements.	It is informed that action will be taken to disclose this contingent liabilities in the next financial statement as pointed out by the Audit.	Accuracy should be ensured in accounting.
(m) Since a sum of Rs.123,472,733 spent for the construction of 08 buildings during the year under review had not been capitalized, non-current assets and the revenue contribution to capital input account had been understated in the financial statements.	It is informed that action will be taken to capitalize assets in the ensuing year as pointed out by the Audit.	The expenditure incurred on the building development should be capitalized.

1.6.2 Non-reconciled Control Accounts of Reports

----- Audit Observation -----	----- Comment of the Council -----	----- Recommendation -----
In relation to revenue totaled Rs. 99,325,800 stated in the financial statements as at 31 December of the year under review, there was a difference of Rs. 236,254,053 between the balance related to 05 items of accounts of deposits, tenders, water services, mixed deposits and sundry deposits and the balance shown in the schedules.	It is informed that correct schedules relating to the items of account pointed out by the Audit will be promptly prepared and furnished to the Audit and action will be taken to correct the relevant accounts.	Action should be taken to find out the reasons for non-reconciliation and make the corrections.

1.6.3 Lack of Documentary Evidence for Audit

----- Audit Observation -----	----- Comment of the Council -----	----- Recommendation -----
Due to failure in furnishing necessary information, 22 items of account of assets, revenue, stocks and liabilities totaling Rs. 3,545,662,131 could not be verified in audit.	It is informed that schedules will be prepared and promptly submitted to the Audit in the year 2022.	Action should be taken to submit adequate and appropriate evidence to the Audit to verify accounts balances and transactions.

1.6.4 Unauthorized Transactions

Audit Observation	Comment of the Council	Recommendation
(a) The amount of Rs. 5,934,935 receivable from the Rajapihilla Guesthouse from the year 2007 to 2019 had been eliminated from the accounts without formal approval.	Cases are being tried in the court regarding the relevant leased properties and recoverable arrears against the parties who obtained the Rajapihilla Guesthouse of the Kurunegala Municipal Council on lease.	Action should be taken to include the receivable amount again in the accounts.
(b) An expenditure of Rs.349,980 had been spent on food and beverages and accommodation facilities from the Municipal Council Fund in respect of a function held to celebrate the appointment of the Honourable Mayor of Kurunegala as the President of the National Conference of Mayors which is not covered by Section 188 of the Municipal Council Ordinance.	According to the instructions of the Hon. Mayor, approval has been received by the Adoption of the General Assembly bearing GC/06/16/ 2021/02/10/A/S2 to incur the expenses for providing the relevant facilities at the request of the Chief Executive Officer of this institution.	The Section “m” of the Municipal Council Ordinance had provided for the activities with community recognition or of common importance. Expenditure should not be incurred for the activities outside the above instructions.

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the revenue of the Council in excess of the recurrent expenditure amounted to Rs. 759,129,083 for the year ended 31 December 2021 as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs. 348,176,000.

2.2 Revenue Administration

Audit Observation	Comment of the Council	Recommendation
2.2.1 Rates and Taxes Although approval had been granted to construct 388 buildings within the jurisdiction of the Municipal Council from the year	Although approval had been obtained to construct 388 buildings from the year 2019 to 2021, it is informed that Rates	Assessments should be made and the Rates should be

2019 to 2021, no action had been taken to recover the Rates from these buildings.

had been recovered only for the buildings for which the Certificate of Conformity had been issued.

recovered from new constructions.

3. Operating Review

3.1 Performance

The following matters were observed with respect to the execution of duties charged with the Council through Section 04 of the Municipal Council Ordinance, being the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people.

3.2 Management Inefficiencies

	Audit Observation -----	Comment of the Council -----	Recommendation -----
(a)	<p>Deviating from Section 40 (f) of the Municipal Council Ordinance, 123 shops being constructed under the phases 1,II and III of the central market and 12 shops in Maligapitiya had been given on lease. Similarly, an assessment on the key money to be recovered in leasing these shops had not been obtained from the Chief Assessor and having published a newspaper advertisement to the effect that these shops will be leased, action had been taken to lease them to the first buyer on an estimate decided by the General Assembly on 11 June 2020 without transparency.</p>	<p>* It is informed that a Council decision was taken to provide the shops to the first buyer and the prior approval of the Hon. Governor was obtained therefor.</p> <p>* As it takes a long time to get a government assessment, action was taken to lease the shops on temporary assessment provided by the Revenue Inspectors of the Municipal Council until the government assessment is received.</p>	<p>* Assessment from the Government Assessor should be obtained in leasing shops.</p> <p>* Action should be taken to obtain approval by the proper channel in terms of Section 40 (1) of the Municipal Council Ordinance for long-term lease.</p> <p>* Action should be taken to lease them by following tender procedures,</p>
(b)	<p>Without the prior written approval of His Excellency the President and without a government assessment, the Welagedara Stadium owned by the Municipal Council had been leased to the Sri Lanka Cricket by entering into an agreement for a longer period of 30 years subject to the payment of Rs.1,000 per month and the payment of income earned by the matches conducted. No action had been taken</p>	<p>It is notified that information will be obtained from the Sri Lanka Cricket and action will be taken to investigate this matter as discussed at the Audit Management Committee meeting held by the Kurunegala Municipal Council on 08</p>	<p>In leasing assets owned by the Council, approval of the relevant authority should be obtained for that purpose. The assessment of the government assessor should be obtained prior to leasing assets. The lease should be levied in accordance with the</p>

to document the details of income earned and expenditure incurred from the year of leasing this Welagedara Stadium in 2017 to the year 2021 and the revenue to be received by the Council had not been credited to the Municipal Council Fund.

December 2021.

agreements.

3.3 Operating Inefficiencies

Audit Observation	Comment of the Council	Recommendation
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<p>When leasing shops, a monthly lease rent should be determined according to the assessment of the Chief Assessor. Nevertheless, 669 shops owned by the Municipal Council had been leased between a range of Rs.2,000 and Rs.10,000 without a government assessment.</p>	<p>This has been forwarded to the Government Valuation Department for the assessment and new assessment of 03 shopping complexes has been sent to us at present and approval of the General Assembly has been obtained therefor.</p>	<p>Action should be taken to recover the rent by timely updating the assessments of the shops.</p>

3.4 Transactions of Contentious Nature

Audit Observation	Comment of the Council	Recommendation
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<p>Although there was no provision to pay legal charges and other expenses from the Council fund in respect of demolishing and causing damages to the building in which the Buwaneka Hotel was situated, a sum of Rs. 2,180,000 had been spent for seeking legal advice and Rs. 7,800,000 had been spent to file 05 writ petitions relating to demolishing the building. Further, a sum of Rs. 1,647,500 had been spent as the charges for these cases.</p>	<p>The officers including the Mayor are entitled to the specific protection under the Sections 40 (1) 309 and 310. With respect to the appeal made by the Attorney General in the Supreme Court against the writ petition, as the Hon. Mayor and other officers have acted in good faith on behalf of the Municipal Council, it is lawful to pay the lawyers fee in accordance with the provisions of the Act to protect them.</p>	<p>* Provisions of the Act should be followed in incurring legal charges. * Provisions have not been made to incur the lawyer fees from the Council Fund for causing damages to the properties of the Council</p>

3.5 Apparent Irregularities

	Audit Observation	Comment of the Council	Recommendation
3.5.1	<p>Without the approval of the Urban Development Authority and the Planning Committee of the Municipal Council, 31 shops had been built in the voids reserved for passengers at the Kurunegala bus station. The lessees had been allowed to construct 18 of these shops and expenditure of Rs.18,112,211 had been incurred from the Council Fund to build 13 shops. Further, deviating from the tender procedure, the shops had been leased to the persons selected irregularly without government assessment and approval of the President.</p>	<ul style="list-style-type: none"> * Taking into account the request made by private investors, the Hon. Mayor has forwarded the relevant name list for the approval of the General Assembly. * In terms of Section 229 of the Municipal Council Ordinance, the General Assembly is also the Tender Board under the powers of the Municipal Commissioner in relation to the procurement and therefore, a procedure decided by the General Assembly has been followed. 	<ul style="list-style-type: none"> * Plans should be approved in carrying out constructions * In leasing shops, those should be assessed by the Chief Assessor and lease and the key money should be recovered accordingly. * In leasing the lands and buildings owned by the government, approval of the President should be obtained therefor. * Disciplinary action should be taken according to the provisions of the Establishments Code with respect to the officers involved in this irregularities.
3.5.2	<p>Eight plots of land containing 55.48 perches with high commercial value owned by the Municipal Council had been leased to a private party using an informal tender method deviating from the provisions in Section 40 (1) f of the Municipal Council Ordinance. This lands had been leased without an assessment of the Government Assessor</p>	<ul style="list-style-type: none"> * Although the lands have been so leased by efficiently using them according to an adoption of the Council, it is mentioned that there are no formal transfer orders for this purpose. * Since the Municipal Council may lease/ sell these lands by following a tender procedure or by other mean decided by the Council which is not the public auction with the approval of the Minister in charge of the subject, this land leasing has been done accordingly. 	<ul style="list-style-type: none"> * The lands provided to the Municipal Council by a transfer order should not be vested without the approval of the President. * The assessment of the Government should be obtained before leasing lands. * The lands which are not required for the use of the Municipal Council should be formally leased by following the tender procedure.

* As it takes a long time to get the government assessment, action has been taken to carry out the leasing process according to the temporary assessment given by the Revenue Inspectors of the Council until the receipt of the government assessment.

3.5.3 When obtaining an excavator machine on rent for the need of the Council, 2 out of 3 institutions that submitted bids were fake institutions and therefore, this service had been obtained without competition and an amount of Rs.17,943,500 had been paid from June 2020 to December 2021. As action had been taken to repair the excavator machine of the Sabha from the institution that rented the excavator, rent was being paid over a long time without doing the relevant repair to the machine.

According to the approval given by the Municipal Commissioner to obtain service on temporary basis by calling for limited bids, action has been taken to get the service on temporary rental basis under the limited bids on the recommendation of the Municipal Engineer.

* In following the procurement method, it should be done without malpractices and ensuring transparency.

* Action should be taken to repair the machines owned by the Municipal Council and put them to use and to minimize the unnecessary expenses.

* Disciplinary action should be taken in accordance with the provisions of the Establishments Code with regard to the officers who should be held responsibility in this regard.

3.5.4 In the lease of the premises around the lake for 15 years for recreational activities, action had been taken to lease the premises without obtaining the government's assessment and the approval of the Honourable President by obtaining bids from a fake institution and a person who had a connection with the Municipal Council.

Two institutions had submitted bids and according to the tender dated 03 September 2019, on the approval given on the basis of technical evaluation, the premises had been leased for a period of 15 years to the institution that submitted the highest bids.

* In the event of leasing the assets owned by the Municipal Council, the assessment of the Chief Assessor should be obtained and the price should be decided accordingly.

* Action should be taken to obtain the approval of the Honourable President in the event of leasing a

government land.

- * Assets should be leased by following the tender procedure and ensuring transparency.

3.6 Procurement Management

Audit Observation	Comment of the Council	Recommendation
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3.6.1 A sum of Rs. 25,862,363 had been spent to provide water connections to the areas outside the Municipal Council limit. In the preparation of an estimate for this project, minimum prices had not been obtained by calling for prices of the water meters and concrete poles, and having prepared overestimates, a sum of Rs. 1,889,895 had been overpaid.	The placing signatures and official seals of the officers who prepared and checked the estimates and placing the official seals of the Municipal Engineer in the approval have been omitted. It is informed that action will be taken to rectify such defects in the future.	<ul style="list-style-type: none">* Before commencing procurement activities, a cost estimate should be duly prepared and approval of the relevant authority should be obtained.* In the preparation of the cost estimate, it should be prepared by obtaining the market prices.* Payments should be made after the Technical Officers inspect the respective items of work.
3.6.2 By calling for quotations from the registered suppliers, the Council had purchased 5,000 water meters worth Rs.11,155,000 in the years 2019, 2020 and 2021.	<ul style="list-style-type: none">* It is stated that Municipal Council had bought these water meters at the market price prevailed in the year 2019	<ul style="list-style-type: none">* The suppliers should be registered and duly documented in terms of laws and rules.* Measures should always be taken to make purchases at the lowest price so as to receive the maximum benefit to the Municipal Council.
<ul style="list-style-type: none">* According to the prices obtained by the Audit on 12 January 2022 from the company from which the Municipal Council had bought water meters, the price of a MEN type ½" water meter was Rs. 3,975 and the price of a water meter of the same type purchased by the Municipal Council on 02 August 2019 was Rs. 4,350. Accordingly, a sum of Rs.1,125,000 had been overpaid.	<ul style="list-style-type: none">* It is mentioned that this purchase has been made in accordance with the market prices and it is confirmed by the prices offered for this tender.	<ul style="list-style-type: none">* Action should be taken to avoid frauds and irregularities.* Since the prices in the general market usually increase, the prices in the year 2022 will be higher than the year 2019.

* In the purchase of 1,000 water meters in the year 2020, due to rejecting the price of Rs.4,000 quoted by the company that had offered a lower price and buying it for Rs.4,350, the Council had made an overpayment of Rs.350,000.

* As per the prices obtained by the Audit from the company from which 1,000 water meters of ½ inch had been purchased in the year 2021, the price of a 1/2 inch brass water meter made in Turkey of Baylan type was Rs.4,482. Accordingly, an amount of Rs.1,018,000 had been overpaid for the purchase of 1,000 water meters at Rs.5,500 which is higher than the price prevailed in the market.

* The purchase of furniture worth Rs. 4,992,000 for the Honorable Mayor's official residence had been made from a company that makes curtains and the furniture had been so supplied to the official residence by this supplier through sub-leasing. Although these furniture should have been handed over to the stores by 15 December 2021, supply had been delayed from 01 December 2021 to 06 April 2022 and a payment of Rs. 875,000 in excess of the price stated in the tender submitted by the supplier had been made.

This procurement was conducted for the “Purchase of Household Appliances for the Mayor's Official Residence”. This additional cost (20 per cent) had to be borne due to the inflationary situation prevailed in the country during the relevant period of purchasing the furniture and the delay caused by the Corona epidemic situation in the country.

Accordingly, making purchase in the year 2019 at a higher price than in 2022 is an unusual condition.

* Procurement activities should be carried out in transparent manner.

* The supply of items should be completed within the contracted period and the overpayment should be recovered by conducting inspections.

* The loss caused due to paying a higher price in purchasing equipment through intermediate parties should be minimized.

3.7 Deficiencies in the Contract Administration

Audit Observation -----	Comment of the Council -----	Recommendation -----
<p>3.7.1 The work of laying water pipes on the Iluppugedara road by the Council Funds of the year 2018 had been completed at a cost of Rs. 6,698,066 on 22 July 2019. In spite of recommendation made to the effect that it was suitable to award the industry by rejecting the minimum price, the General Assembly had approved the award of the tender to the maximum price of Rs. 6,138,164 on the recommendation of the Standing Committee on Finance. As a result, the Council Fund had sustained a loss of Rs.710,699.</p> <p>* According to market prices that was prevailing during this project period, the cost of one meter of PVC pipe of size 90 mm PNT 11 (with profit margin) is Rs.1,903. Accordingly, due to estimating one meter at Rs. 2,467, a sum of Rs. 958,805 had been overestimated for 1,700 meters at Rs.564 per meter. As the bidder had submitted a price of Rs.2,778.28 per meter for 3 inch PVC pipes under item No.5, a sum of Rs.1,504,500 had been overpaid.</p> <p>* Although it was aware in the preparation of these estimates on 27 September 2018 that the Iluppugedara road would be carpeted, due to non-preparation of estimates in accordance with that requirement, it was observed during the audit that the soil removal and amount of Rs.760,797 incurred for the related expenses was a fruitless expenditure.</p>	<p>* Due to the necessity to complete the relevant projects expeditiously, the work for laying water pipe on the Iluppugedara road has been awarded to an institute that offered the highest price on the approval of the General Assembly.</p> <p>* The amount of Rs. 2,467.50 stated under the estimated work item No.5 is not the market value of a 3" PVC pipe, but the price applicable to the matters including buying and processing the pipes to suit to the place.</p> <p>* When preparing estimates to lay water pipe on the Iluppugedara road, carpeting of the road had been started and the Technical Officer was aware of that matter. Estimates were prepared in accordance with engineering advice as appropriate to the site at the time.</p>	<p>* If estimates were prepared only for the PVC pipes, payments should be made accordingly.</p> <p>* Payments should be made as per the certificate of the Technical Officer on the Bills of Quantity and the bills.</p> <p>* Investigations should be conducted and the losses caused to the Council should be surcharged.</p> <p>* Procurements should be carried out in accordance with the procurement laws and rules.</p> <p>* Idle expenditure should be avoided by taking action according to the plans. Investigations should be conducted and the losses caused to the Municipal Council Fund should be surcharged.</p>

- * According to the work item No.03, a sum of Rs. 665,280 had been estimated for excavating soil to the depth of 0-1500 for 577.50 meters at Rs. 1,152 per cubic meter according to BSR B7. Nevertheless, since the actual price rate to do this item of work by machines was Rs. 196.60 per cubic meter, a sum of Rs. 551,743 had been overpaid for 577.50 cubic meters at the rate of Rs.955.40 per cubic meter.
- 3.7.2 An agreement for Rs. 2,610,983 had been reached in the year 2021 to carry out renovations of the Sundarapola Solid Waste Management Centre on the provisions of the Municipal Council. This project should have been completed on 22 November, whereas it had been extended up to 22 February 2022. Nevertheless, it was observed in the inspection on 31 January 2022 that only 07 items of work worth Rs. 713,787 had been completed. The value of uncompleted work of 38 items related to the construction of upper floor and construction of toilets, which had not been done from the agreed value, amounted to Rs. 2,203,452 and it was 48 per cent of the estimated value.
- 3.7.3 A bill worth Rs.10,450,462 had been submitted for the construction of an administrative building at the Sundarapola Solid Waste Management Center on the provisions of the State Ministry of Provincial Councils and Local Government Affairs in the year 2021.
- * Even though the items C.10 and C.24 had not been totally completed as per the Bill of Quantity and the bill, a sum of Rs. 241,592 had been paid. According to Item No. 3.7, a payment of Rs. 188,428 had been proposed to be made for filling the foundation with earth, but this work had not been fully
- Although this project has been extended in some instances, as it has been found that there have been deficiencies in the completion of this project by the contractual institute, action has been taken to impose surcharges on this items of work at present.
- * The project should be completed within the contracted period.
 - * If the contractor has done the work inefficiently, he should be blacklisted without giving opportunity to carry out the projects once again.
- According to the verbal instructions given by the Consulting Engineer of the Solid Waste Management Support Center of the Ministry of Provincial Councils for the inquiries made, the bills were prepared and submitted so as not to return provisions.
- * Fake bills should not be prepared for the undone work.
 - * Having completed the projects within the contracted period, funds should be reimbursed.

completed. Although the Tie Beams had not been constructed, the payment of Rs. 687,365 had been made for 1815.94 kg of steel wire.

- 3.7.4 In order to establish a sewage treatment system at the Sundarapola Solid Waste Center on the provisions of the State Ministry of Provincial Councils and Local Government Affairs, An agreement worth Rs. 49,500,000 had been entered into with a contractual company on 22 October 2021 to build it under the Design & Build method and an amount of Rs. 9,635,093 had been paid to the company. Due to evaluating only one bid, it had deprived the opportunity to choose a more cost-effective project with technical and financial capability to the government.
- * Having purchased the items related to the contract by the contractual company according to the agreement, a report with the related machine hours had been submitted.
 - * The method of contract should be selected in accordance with the Procurement Guidelines.
 - * Having stored the items purchased for the project in an idle manner at the work site, government money should not be paid to the contractors.
 - * Due to the Covid epidemic, unfavourable weather and the lack of raw materials, an extension of 50 days has been given from January 22. The work could not be completed within the prescribed time frame.
 - * The responsible officers should take action to complete the projects within the contractual period and payments should be made accordingly.
- * For the construction of 04 tanks, only a trench in 15 meters length, in 9 meters width and 2.84 meter depth had been dug and no bill of quantity had been submitted for that work. But an amount of Rs. 2,597,000 had been paid for that. Machinery and equipment worth Rs.9,635,093 had been left at the Sundarapola premises and payments had been made for the equipment, but the project had been abandoned.
- 3.7.5 Having prepared an estimate worth Rs.53,383,790 for the development of the Maligapitiya Stadium at an international level on the provisions of the Municipal Council in the year 2018 and signed an agreement for Rs. 53,330,591, an amount of Rs.46,470,733 had been paid. It was observed at the document perusal and physical inspection carried out on the project that the lowest bid of Rs. 46,936,580 had been rejected and the tender had been awarded to the institute that offered the bid at Rs. 53,330,591.
- Since the scope related to the item of work planned for growing grass was revised, a new unit price had to be decided therefor. For growing grass on the stadium, an agreement was reached with the legal contractor under a price analysis. For that purpose, the work was carried out under an institute which is well experienced in
- * Action should be taken to prepare the estimate properly.
 - * In making payment exceeding the estimated rate, approval should be obtained for that purpose and payments should be made on the actual bills of quantity.

Accordingly, a loss of Rs. 6,394,011 had been incurred to the Council.

* Although the cost for cutting one cubic meter of soil using machines was Rs.198 according to the standard price rates, payment had been made at Rs. 800 to cut one cubic meter of soil in this project. Accordingly, a sum of Rs. 914,209 had been overpaid to cut 1518.62 cubic meters of soil at Rs.602 per cubic meter.

* The estimate worth Rs. 8,641,200 prepared for growing grass in this stadium had been removed by an engineering estimate and an expenditure of Rs. 24,535,000 had been incurred as an additional item of work. It had exceeded the estimated expenditure by Rs.15,893,800. The contractual company had subcontracted this item of work to another institute and it was observed in audit that the Council had not carried out procurement activities in directly paying such a colossal amount of money to the relevant task and issues had cropped up due to not providing the grass with due quality.

3.7.6 An agreement had been entered into with a company in relation to the phase I and phase II of the central market project owned by the Kurunegala Municipal Council. Accordingly, the construction project was being carried out under an agreement of Rs. 948,518,334 for the phase I and Rs. 1,231,001,682 for the phase II and a payment of Rs. 493,501,792 for the phase I and Rs. 1,420,353,223 for the phase II of the project had been made.

* In the construction of Phase I, the main components of the work item of

growing grass on the stadium.

* Payments should be made on the price rates according to the type in which the soil cutting was carried out.

* Additional works should be done within 10 per cent of the value in the estimate. As it is 45 per cent of the contract value, this item of work, the contract of which should be directly awarded by the Council should not be subcontracted.

* This procurement notice has been prepared including the matters which were decided by the procurement unit of the project as to be suitable to include in a procurement notice.

* Having prepared the revised estimates by the Kurunegala Municipal Council and obtained the approval of the North Western Engineering Department, they were

* Since there is a variation of about 40 per cent than the estimated amount, procurement activities should be carried out again.

* The contractor's agreement should be obtained for the estimated amount through the negotiations with the contractor with regard

publishing newspaper advertisements had not been stated as per Section 5:3:2 of the Procurement Guidelines.

forwarded for the future activities of the project and thereafter, the contract was awarded.

to the variations in the estimate.

- * It was observed that the both bidders had obtained procurement documents of the first phase within the same date on 08 September 2019 and bid deposits had been paid at the same time on 08 September 2019. Accordingly, the fact of being adhered to the procurement ethics was questionable to the Audit. There observed some instances where, the handwriting and the figures were the same on the both bid documents.
- * The main objective of the appointment of the committee to check the estimates was to study the significant variations and provide a report. Nevertheless, a sufficient study on this variation had not been done and report had not been issued. This committee had increase the price of 02 items from Rs. 68,392,500 to Rs. 226,000,000.
- * It was observed in the examination of bids presented in the phase II that although a comprehensive bid evaluation should be carried out according to the Guideline 7.9.2 of the Procurement Guideline, the contract had been awarded for an excess amount of Rs. 85,348,311 with a variation from 19 per cent to 659 per cent than the engineering estimate of 142 items.