

Kantale Pradeshiya Sabha

Trincomalee District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2016 had been presented to Auditor General on 04 July 2017 and the financial statements for the preceding year had been presented on 30 June 2016. The report of the Auditor General for the year 2016 had been forwarded to the Secretary of the Sabha on 26 September 2017.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Kantale Pradeshiya Sabha as at 31 December 2016 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) Three hundred and eighty five library books valued at Rs.123,095 had not been brought to accounts.
- (b) Even though, the payable contributions to the Local Government Pensions Fund amounted to Rs.262,228, as at 31 December 2016 it was shown as Rs.204,960 in the financial statements. As such the current liabilities had been understated by Rs.57,268.

1.3.2 Non-compliance with Laws, Rules and Regulations

Non-compliance with the provisions of laws, rules and regulations observed in audit are analyzed and shown below.

Reference to Laws, Rules and Regulations etc.,

Non-compliance

-
- (a) Financial Regulation 396

Action had not been taken on 08 cheques valued at Rs.216,524 issued but not presented for payment and elapsed over 06 months.

- (b) 1988 Pradeshiya Sabha Rules (Financial and Administration) published in the Extra-ordinary Gazette No.554/5 dated 17 April 1989.

-
- (i) Rule 141 A Deposits Ledger for the year 2016 had not been maintained.
- (ii) Rule 217 A Register of Fixed Assets had not been maintained.

2. Financial Review

2.1 Financial Results

According to the financial statements presented the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2016 amounted to Rs.2,959,735 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounting to Rs.90,206. Accordingly, a favourable variance amounting to Rs.2,869,529 was observed in the financial results.

The increase of lease rent by Rs.3,473,533 as compared with the preceding year had mainly attributed for the increase of financial result in the year under review by Rs.2,869,529.

2.2 Revenue Administration

2.2.1 Performance in Collection of Revenue

The information with regard to estimated revenue, actual revenue and arrears of revenue for the year under review as submitted by the Secretary is given below.

Item of Revenue	Estimated Revenue	Year 2016	
		Actual Revenue	Accumulated arrears as at 31 December
-----	-----	-----	-----
	Rs.000	Rs.000	Rs.000
Rates and Taxes	2,800	3,607	9,573
Lease Rent	7,730	6,512	1,959
License Fees	1,103	915	-
Other Revenue	45,648	38,631	9,080

2.2.2 Stamp Fees

Action had not been taken even by 18 July 2017 to identify and to obtain the receivable money as stamp fees in respect of the years 2015 and 2016, from the Chief Secretary of the Eastern Provincial Council.

2.2.3 Rates and Taxes

The Sabha had not taken action even by 18 July 2017 to recover rates and taxes relating to 182 units of assessments in 06 assessment divisions of authoritative area of the Sabha.

3. Operating Review

3.1 Management Inefficiencies

The following matters are observed.

- (a) The trade stall rent receivable amounting to Rs.1,917,004 had remained outstanding for nearly 06 years period while action had not been taken either to recover that money or to take legal action.
- (b) The duty lists had not been given for 08 health labourers and 03 field labourers employed in the Pradeshiya Sabha. Therefore, it could not be ensured the accuracy of the work executed by them and to be maintained a control over the execution of work.
- (c) A register had not been maintained by the Sabha to record the quantity of street lamps within the authoritative area of the Sabha and the information relating to repair of those. As such, a control could not be maintained in respect of purchasing and issuing of street lamps.
- (d) Action in terms of the provisions of Section 4 of Chapter XXIV of the Establishments Code had not been taken to recover staff loans amounting to Rs.1,205,400 recoverable from 3 employees employed in the Pradeshiya Sabha who vacated of posts and removed from the service.
- (e) The revenue licenses for 13 motor vehicles belonging to the Sabha had not been obtained for the current year.
- (f) The Daily Running Charts for 10 motor vehicles which are in running condition had not been maintained properly in terms of Financial Regulation 1645.
- (g) In terms of the Planning Circular No.15 issued by the Urban Development Authority on 18 November 1993 the recoveries of service charges for unauthorized constructions should be credited to a bank account opened in Bank of Ceylon or Peoples Bank.

Nevertheless, the Sabha had deposited a sum of Rs.959,350 in the General Deposit Account.

3.2 Human Resource Management

The following observations are made in respect of the Human Resource Management.

- i. The employees had been recruited for the following posts of the Sabha exceeding the approved cadre.

Nature of the post	Approved Cadre	Actual Cadre	Excess
Management Assistants	10	11	01
Drivers	06	08	02
K.K.S	03	04	01
Watchers	03	06	03
Library Service Assistants	02	03	01
Total	24	32	08

- ii. Despite, that the employees for the posts of Drivers and Library Service Assistants had been in excess, the employees for the above posts had been recruited on casual basis as well.
- iii. Action had not been taken even by 18 July 2017 to fill vacancies existed in the posts such as Development Officer, Revenue Inspector, Machine Operator and Work Supervisor.

3.3 Operating Inefficiencies

(a) Sixty six trade stalls and 24 trade stalls belonging to the Pradeshiya Sabha in the Public Market and in the bus stand respectively had been constructed and completed by the Urban Development Authority and handed over to the Pradeshiya Sabha on 27 March 2013. The following matters were observed at the audit examination carried out thereon.

- i. It was decided to categorize and lease the trade stalls in the public market as trade stalls 1 to 6 for textile trading, trade stalls 6 to 12 for retail trading and trade stalls 13 to 25 and trade stalls 26 to 35 for trading vegetables and fruits respectively. The highest tender prices received had been rejected and the trade stalls had been given for low prices. However, the trade stalls had not been given according to such a categorization. As such, about a sum of Rs.60,000 monthly had been deprived by the Sabha due to giving the trade stalls for low prices.

- ii. Twenty six trade stalls could not be leased out and remained idle due to the matters such as the difficulty of access to the upper floor of the public market, increase of the value of deposits for trade stalls and the existence of unauthorized trade stalls. As such, nearly a sum of Rs.600,000 had been deprived by the Sabha annually.
 - iii. Even though, the trade stalls in the bus stand had been given in May 2017 to the persons who paid deposits money, the businesses had not been commenced even by 18 July 2017 due to non-supply of electricity. Therefore the respective rental for the month of June amounting to Rs.95,800 had been deprived by the Sabha.
 - iv. Even though, the constructions of the trade stalls of the bus stand had been completed and handed over by the contractor on 27 March 2013 to the Sabha, an adequate security for the trade stalls had not been given by the Sabha. As such electrical accessories valued at Rs.102,000 approximately had lost, while an extra expenditure had been incurred by the Sabha to re-fix that accessories.
- (b) The necessary course of action had not been taken to obtain new books to the Agbopura library of the Pradeshiya Sabha and either to increase the number of membership or to promote library activities. The members attend to the library to obtain books monthly had ranged between 5 to 10 and as per the Members Name Register only 13 members had registered during the last 03 years period.
Even though, 04 employees had been assigned to maintain the library it was observed that effective service through the library had not been obtained by the people of the area.
- (c) The treatments for about 10 patients per day had been provided from the Wendrasanpura Ayurvedic Medical Centre belonging to the Pradeshiya Sabha, Kantale in the year 2016. Without considering the number of patients who obtain treatment, the Department of Local Government had assigned 2 approved Medical Officers and 2 Dispensers and as such an effective service from them could not be obtained.

3.4 Contract Administration

3.4.1 Construction of Multi-purpose Building

A contract to construct the first stage of the multipurpose building had been awarded by the Pradeshiya Sabha on 18 March 2014 at a contract value of Rs.51,093,960.

The following observations are made in this connection.

- (a) The plywood shutter used for the constructions of in-floor slab and in-floor beam of the multipurpose building was not in a proper standard. As such the surface of the slab was not finished smoothly. Nevertheless, it was recommended that the above work had been completed satisfactorily and a sum of Rs.10,463,048 had been paid.

- (b) The estimated amount for laying plaster on the slab and for applying paint had been Rs.312,650. But, the slab had not been finished properly, and as such the plaster could not be completed. A ceiling had been installed thereon, whilst a sum of Rs.1,046, 750 had been paid. Action had not been taken to cover the extra cost incurred thereon from the contractor.

3.4.2 Implementation of the projects under National Programme of Strengthening of the Pradeshiya Sabhas

The following observations are made under the above programme commenced by the Sabha in the year 2016 in respect of the projects such as laying concrete stones in the vehicle park of the public market, repairing weekly fair in 93 junction and repairing public lavatory near the bund of the kantale tank with the estimated value totalling Rs.2,677,008.

- (a) The work of laying concrete stones in the vehicle park of the Kantale Public Market had been commenced at the estimated value of Rs.1,148,500 and the stones had been laid for 534 square meters. Even though, stones had to be laid further for about 365 square meters, that work had not been completed even by 18 July 2017.
- (b) According to the Paragraph 4.1 and 4.3 of the Circular No.01/2016 of the Ministry of Provincial Councils and Local Government the constructions projects to be implemented under the above programme should be carried out by deploying labour and equipment by the Sabha. Contrary to that, a contract for repairing weekly fair of the 93 junction valued at Rs.999,224 had been awarded to a Community Society on 10 August 2016. Even though, a sum of Rs.436,074 had been paid to the Community Society thereon, the work had not been completed even by 18 July 2017.
- (c) Under this programme, the repair work of the public lavatory near the bund of the Kantale Tank had been commenced at an estimated value amounting to Rs.529,284. Even though, the walls had been constructed and the plastering had been completed, action had not been taken to obtain water supply and the interior finishing of the lavatory system had not been completed even by 18 July 2017.

3.5 Environmental Issues

Issuing of Environmental Licenses

According to the National Environment Act No. 47 of 1980, the environment protection licences should be obtained in implementation of the enterprises which hazardous to the environment such as carpentry industries, production of cement blocks and the industries of rice mills. Nevertheless, 35 such type of industries implemented within the authoritative area of the Sabha had not been

obtained the above licences. Necessary actions had not been taken by the Sabha to solve the environmental problems will be arising in this connection.

3.6 **Accountability and Assets Management**

Assets Management

(a) Under- utilized Assets

The following matters are observed.

- i. The van purchased in the year 1997, a tractor purchased in the year 1987 and the cab vehicle purchased in the year 2008 had remained non-operative and had been parked in the vehicles yard from December 2013, December 2011 and June 2015 respectively. Necessary course of action had not been taken either to repair and utilize or to dispose of them even by 18 July 2017.
- ii. Nanasala Computer Centre maintained by the Pradeshiya Sabha under the sponsorship of the Sri Lanka Information Communication Technology Agency had been closed from the year 2015. Therefore, the computers, furniture and other equipment received thereon had remained idle and the knowledge of communication technology could not be obtained for the rural area children.

(b) Implementation of the Recommendations of the Report of the Boards of Survey

Necessary course of actions had not been taken even by 18 July 2017 to repair 07 categories of goods and to sell 28 categories of goods and to remove 10 categories of goods and 1316 books as recommended by the Report of the Board of Survey conducted on 25 March 2017.

3.7 **Solid Waste Management**

Within the authoritative area of the Sabha about 150 tonnes of waste has been disposed monthly. As per the recommendations of the Central Environmental Authority the waste had not been categorized or non-degradable waste had not been thinnerly laid and covered with soil. Therefore, the elephants in the area had used to eat the waste and it was a threat to the lives of the elephants. However, the Mahaweli Authority had given a land in extent of 12 ½ acres in the area of Suriyapura for the waste management. Nevertheless, the Pradeshiya Sabha had not taken necessary actions even by 18 July 2017 to fix an electric fence around the land and dispose the waste properly.

4. **Systems and Controls**

Special attention is needed in respect of the following areas of systems and controls.

System -----	Area needed Attention -----
(a) Accounting	i. Accounting ii. Maintenance of Subsidiary Ledgers.
(b) Revenue Administration	Recovery of arrears of revenue.
(c) Control over fixed assets	i. Maintenance of Assets Register. ii. Action to be taken to utilize idle assets in effective activities.
(d) Contract Administration	i. Payment of taxes for contracts. ii. Making payments after execution of activities in accordance with the agreement.
(e) Human Resource Management	Recruiting of excess cadre.