

Kuchchaveli Pradeshiya Sabha

Trincomalee District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2018 had been submitted to audit on 24 April 2019 and the summarized Auditor General's Report, Management report relating to the year under review was sent to the Chairman on 22 May 2019 and 31 May 2019 respectively.

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 Kuchchaveli Pradeshiya Sabha as at 31 December 2018 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) Accounts Payable

Action had not been taken to transfer to the income that the unpaid salary and rent amounting to Rs. 442,426 relating to the period from 1996 to 2012, even by end of the year under review,

(b) Lack of Evidence for Audit

Detailed schedules for unpaid salaries, rent, bank interest, capital income, and Tax register for unpaid rates and taxes amounting to Rs.1,430,029 had not been maintained. Because of this, the balance could not be verified in the audit.

1.4 Non-Compliances

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

Reference to Laws, Rules, Regulations and Management Decisions	Non-Compliances	Recommendation	Comments of the Accounting Officer
(a) Section 5(XII) of Pradeshiya Sabha Regulations (Finance and Administration) of 1988	Even though duties such as cash, inventories and signing cheques had been assigned to 3 officers, security deposits had not been taken from those officers,	Action should be taken to determine the amount of the security deposits and make the charges.	At present, only the Management Assistants perform duties from time to time. Security deposit was not obtained because the Management Assistants were not assigned the position of Store keeper.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) Financial Regulation 396	Necessary action had not been taken on 16 cheques amounting to Rs.180,220 which were issued before 06 months but not presented to the bank.	Action should be taken in this regard and inform your actions.	Out of the 16 unrealized cheques, 11 unrealized cheques amounted to Rs. 165,238.95 were adjusted. Steps have been taken regarding the remaining 5 unrealized cheques.
(ii) Financial Regulation 571	Action has not been taken in respect of deposits amounting to Rs.20,524,793 over 2 years.	Shall act in accordance with the Financial Regulations.	In case of a deposit exceeding two years, action has been taken to transfer to the Income.

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the revenue over recurrent expenditure for the year ended 31 December 2018 amounted to Rs. 30,807,863 when compared with the revenue over recurrent expenditure of the preceding year amounted to Rs. 5,718,425.

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	2018				2017			
	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	10,603	12,584	11,668	7,200	9,202	6,367	6,731	6,284
Rental	6,357	5,159	4,664	4,116	7,386	4,729	4,427	3,621
Licence Fee	1,643	1,201	1,201	4	1,290			
Other Revenue	25,338	42,567	42,373	501	11,414	1,721	1,721	4
						1,777	1,755	493

- (a) The arrears of Rates and Taxes for the year under review had increased by Rs.916,000 over the previous year. This indicates the slow form of recovering Rates and Taxes. Furthermore, the increase in rent and other arrears by Rs.495,000 and Rs.8,000, respectively, reveals the slowdown in revenue recovery.

2.2.2 Rates and Taxes

Audit Observation

In terms of Section 134 of the Pradeshiya Sabha Act No 15 of 1987, action has not been taken to recover the Rates and Taxes amounting to Rs.7,197,663 from the land and buildings in the council area from 2005 to date.

Recommendation

Action should be taken to recover the arrears of Rates and Taxes

Comments of the Accounting Officer

Due to the situation that has arisen in the country over the years, the rates and taxes cannot be charged from the public. The Commissioner of Local Government is to be consulted in this regard.

2.2.3 Shop Rental Income

Audit Observation

In the event of defaulters of meat stalls, without recovering the lease amount from securities, but at the end of the year it was presented in the financial statements as arrears of Rs.3,634,077.

Recommendation

All outstanding arrears must be recovered, and all other matters shall be dealt with appropriately. Further, the age analysis should be submitted to the audit

Comments of the Accounting Officer

2.2.4 Stamp Duty

Audit Observation	Recommendation	Comments of the Accounting Officer
No action has been taken to calculate the Stamp Duty due from January 2017 up to now and to collect it from the Registrar General.	Action should be taken to recover stamp duty.	A sum of Rs.9,249,570 was received by the Registrar General's Department on 05 April 2019 relating to the period from January to December 2017. Application forms for this have been requested on 18.04.2019. Action is being taken to obtain from 2018.

3. Operational Review

3.1 Performance

Following matters were revealed relating to the functions which should be performed by the Sabha to regulate and administrate public health, public utility services and public roads and luxury, convenience and welfare of the people under section 3 of the Pradeshiya Sabha Act.

(a) Contracts not Commenced

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) Construction of Container Tanks and Gas Buildings – Nilaveli Under the provisions of the Sabha, agreements were awarded to construct container tanks and gas buildings at a cost of Rs.7,054,086 on 03 August 2017. In order to carry out this program, bids had been called for without preparing a feasibility study reports and the work had been commenced by selecting the land in the area where the public resides. As a result, the public has protested that they are facing health problems. Therefore, the program has not yet	The work has not started in the last two years. Action should be taken to acquire suitable land and construct this building.	Action is being taken to acquire a suitable land.

been launched by 16 May 2019.

(ii) **Construction of Gas Building – Pulmutte**

The Sabha decided to construct a gas building at a cost of Rs. 2,000,000 in the year under review, but the program has not yet been commenced.

Action should be taken to construct the gas building.

This was not started because the human resources needed to start the gas program were not approved.

(b) **Solid Waste Management**

Audit Observation

Under the "Pilisar" Program of the Central Environmental Authority, the Solid Waste Collection Center was constructed at Nilaveli at a cost of Rs 17,943,879 and handed over to the Sabha on 26 March 2016. However, due to non-implementation of solid waste collection operations, the expenditure incurred was fruitless.

Recommendation

Action should be taken to use the building which has been inactive for the last 3 years due to non-availability of water connection.

Comments of the Accounting Officer

Due to the presence of seawater in that place, it could not be started. Action has been taken to obtain water connections. Once the water connection is received, action will be taken to implement it.

(c) **Sustainable Development Goals**

Audit Observation

According to the decision of the Sustainable Development Conference of 2015, led by the Heads of State of the United Nations Member States, Sabha did not establish the indicators for the Sustainable Development Programs Agenda to be achieved by 2030.

Recommendation

The Council should take full clarification on this matter and initiate operations to achieve the Sustainable Development Goals.

Comments of the Accounting Officer

A lack of knowledge does not imply meaning. Good health will be maintained through activities such as anti-narcotics, non-communicable diseases, in accordance with the circulars published in the National Policy of His Excellency the President in the Budget 2018. Trees have been planted. Further, program proposals on sustainable development have been proposed.

3.2 Management Inefficiencies

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(i) Action had not been taken to recover 05 unrealized cheques from the relevant persons amounting to Rs.15,603 deposited in the Bank from the year 2006 to 2011.	Action should be taken regarding unrealized cheques	Action had been taken regarding unrealized cheques.
(ii) Action has not been taken to recover advance of Rs.700,000 made to community centers Regarding the piped water distribution program in 2013 .	Action should be taken to recover this value and you should inform of the action.	Action is being taken.
(iii) The pickup vehicle used by the Sabha was damaged and completely destroyed by an accident in 2015 . However, in terms of Financial Regulations 104 , the inquiry committee was not appointed to address the value of the loss and to identify the persons responsible for the accident.	Relevant actions should be taken as per financial regulations.	The value of the loss will be recovered and repaired from the insurance company.
(iv) The ownership of the land at Kattukum where the public well built at a cost of Rs.316,460 by the specific allocated provision belongs to the individual. Action had not been taken to transfer the ownership of the land.	Action should be taken to transfer the ownership of the land.	Action is being taken through the Divisional Secretary to take over to the Sabha.
(v) In terms of Section 149 of the Pradeshiya Sabha Act No. 15 of 1987 , the Sabha shall levy a license fee of 1% of the annual revenue from the resorts operating in the Pradeshiya Sabha area. Nevertheless, the Sabha has to lose approximately Rs. 1,500,000 per annum by not charging a 1 per cent fee on 10 resorts operating in the council area.	The relevant action should be taken to recover the revenue.	Action is being taking.
(vi) The secretary of the Sabha had recruited 140 employees on casual basis in the year 2015 without the prior approval of the Department of Management	Further action should be taken in consultation with the relevant authorities	Action is being taking.

	Services according to the paragraph 7 of the circular No. 25/2014 dated 12 November, 2014 of the Ministry of Public Administration and Home Affairs. Even so, there was no need to recruit such employees. Further, advances of Rs.1,493,294 obtained in the year 2015 by the former Secretary of the Sabha for the payment of salaries to these employees were not settled by the end of the year under review.	regarding this matter.	
(vii)	In terms of Section 10/2009 (2) of the Secretariat, the Chairman shall be paid a salary of Rs5,000 and members shall be paid a salary of Rs.4,000 for the annual Board of Survey. Accordingly, a sum of Rs.13,000 had been payable for the year 2015. However, the Sabha had paid a sum of Rs.25,000 and due to that Rs.12,000 had been overpaid. Action had not been taken to recover this overpaid amount even by 16 May 2019.	Action should be taken to recover over payment amount.	Action is being taking.
(viii)	In terms of Section 4.1 of the Circular No. 02/2011 dated 24 February 2011 of the Department of Pensions, Contributions to the Public Service Provident Fund should be paid to Employees Recruited to Local Authorities on Casual and Temporary. Contrary to this, the contribution had been paid to the Employees Provident Fund instead of the Public Service Provident Fund and due to non-payment of contributions to the Employees Provident Fund within the due time for the period 2010 to November 2014 , The fund had to pay a fine of Rs 1,915,306 . Nevertheless, until 16 May 2019 , there was no arrangement to pay this much.	Appropriate action should be taken through the relevant authorities in this regard.	Action will be taken to write-off.
(ix)	Since the Pradeshiya Sabha constructed the market building with 35 stalls at Pulmudewela at a cost of Rs. 24,444,588, The Central Environmental Authority and the Coast Conservation	The council shall take necessary action to use these stalls.	Action will be taken.

Department have refused to grant approval. Before these stalls were built, it was not checked whether they were suitable for trade. Therefore, these stalls have remained idle since the date of construction.

3.3 Human Resource Management

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
The amount of Rs. 214,205 to be recovered as the loans from 05 employees who had been transferred, resigned and no action had been taken to recover the balance from them or their guarantors.	Action should be taken to recover the outstanding debts.	Action will be taken.

3.4 Transaction with Contentious Nature

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
Even though official visits of the Chairman of the Sabha to the offices of the Council area and the office of the Assistant Commissioner of Local Government on 5 February 2015 and 23, 24 and 25 of 2015, had been mentioned in the vehicle running chart, he had obtained Rs. 43,100 as combined allowances and travel expenses, stating that he was traveling to Colombo on those days. Action had not been taken to recover this by 16 May 2019. This was reported in my last year's report, but has not yet been acted upon.	Action should be taken to recover the overpayments from those concerned.	Action will be taken.

3.5 Assets Management

3.5.1 Assets not Documented

Audit Observation	Recommendation	Comments of the Accounting Officer
Eight donated vehicles from other institutions had been used by the council for more than seven years but were not transferred the ownership by the end of the year under review.	Further action should be taken in consultation with relevant authorities regarding this matter.	Action is being taken on the instructions of the Commissioner of Administration.

3.5.2 Idled Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
Two tractors, Pickup, motor cycles, tipper, waste disposal bowser belonging to the Sabha which can be used after repairs but have not been repaired for more than 04 or 05 years.	Action should be taken to repair the vehicles such as 02 tractors, Pickup, motor cycles, tipper, waste disposal bowser or necessary arrangements should be made for vehicles that cannot be repaired.	Action will be taken as per the recommendations of the Board of Survey and the decision of the Sabha.

3.6 Procurement

Contract Administration

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Construction of solid waste collection centers		
Silmiya Contractor was awarded the construction of solid waste collection centers for a sum of Rs.4,946,825 On 19 October 2015, under the Pilisaru program of the Central Environmental		

Authority. Following observations are made in this regard.

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| (i) | When preparing estimates for the construction of this solid waste center, the work of supplying electricity to the building, supplying water and building walls around the building were not included in the estimate. Therefore, the building is unusable even after the construction is completed. | Supply of electricity, water distribution, construction of walls around the building shall be carried out and utilized. | Lack of additional provisions, activities such as electricity, water, walls etc. had not been included. |
| (ii) | This work should be completed by the Contractor on 19 December 2015 and handed over to the Council. However, as of July 18, 2018, the contractor had abandoned the construction work without completing it and for 60% of unfinished work; the building which had been constructed at a cost of Rs. 2,947,682 had become a fruitless expense. Similarly, solid waste management operations have been rendered impossible by the Sabha. | Should be started the Solid Waste Management Operations and manage waste disposal. | Action is being taken to complete the work. |
| (iii) | The waste collected in the Sabha area is being disposed of in a private land at Pulmude. Therefore, there is a possibility of environmental problems in the area. | - | Action is being taken to acquire a suitable land. |
| (b) | <p>Concreting the Senthur Rural Road</p> <p>-----</p> <p>Contracts were also awarded for laying concrete for Senthur Rural Road under the Rural Road Development Program of the Ministry of Provincial Councils and Local Government. Following observations are made in this regard.</p> | | |
| (i) | The National Procurement Procedure (NCB) requires a minimum of 21 days in accordance with the Procurement Guide 6.2.2. Even so, there were 14 days for the quotations which had called. | Procurement guidelines and circulars must be complied with when awarding contracts. | Answers from (a) to (e) have already been sent.. |

- (ii) The council had decided to take the bids from 30 June 2017, to 13 July 2017. Nevertheless, the newspaper had advertised for calling bids on 01 and 04 July. However, 04 days of this period were holidays and only 09 days were available to issue quotation list, due to that 1.2.1 (c) of the Procurement Guidelines Code has not been fulfilled.
- (iii) Six contractors had applied for this purpose. However, the Technical Evaluation Committee awarded the contract to one contractor for Rs. 4,262,496 without checking the prices. Further, due to the abandonment of the contractor, the bid had to call again because the other qualified contractor could not delegate the work.
- (iv) As the selected contractor has resumed the job after commencing the work and without any notice, According to the Procurement Guide 5.3.13 (d), the Bid Bond of Rs.51,200 was not cashed. Further, the Sabha did not take further action against the Contractor in accordance with Guidance 8.11.4 of the Procurement Guidelines.
- (v) When the Sabha again called for the Limited National Competitive Bid (LNCB) for this purpose, accordance with Guideline 6.2.2 of the Procurement Guidelines it was stated that there should be at least 14 days. However, the bidders were called for only seven days and the two contractors who had been blacklisted had been re-selected and the National Competitive Bid was awarded to one of them at a value of Rs.5,000,000 without any written notice.
- Due to non-cashing the Procurement Guide 5.3.13 (d), the Bid Bond of Rs.51,200, action should be taken to recover the value from the relevant officer.
- When implementing the procurement guide it should be properly designed and executed, When contracts are awarded on necessity basis, the government should act in a manner that does not incur losses. In the event of negligence of the employees, the persons responsible for the loss should be identified and taken action to recover the losses.
- Done on demand.

(vi)	Since the Sabha did not follow the procurement process properly and select the right qualified contractor at the beginning, a total loss of Rs.911,176 incurred, including the difference of Rs.737,504 between the current contract value and the banned contract value, and a sum of Rs.173,672 of advertising costs for the bid.	-	Had been awarded to a suitable contractor. Action is being done for the loss occurred.
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(c) **Construction of Cultural Building**

On April 18, 2016, a contract was awarded for a sum of Rs.5,656,434 for the construction of a cultural center under the Pura Neguma program. When the Sabha decided to give it to the People's Bank instead of using the center to carry out cultural programs in accordance with the proposals given by the Sabha, when it was redesigned, from the newly erected wall, a portion of 7.78m3 in size valued for Rs.83,246 was removed.

The Sabha should submit the relevant answers to us. Action should be taken to recover the losses incurred.

No comments have been made.