

**Gomarankadawala Pradeshiya Sabha**  
**Trincomalee District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

Financial Statements for the year under review had been submitted to Auditor General on 03 December 2015 while Financial Statements relating to the preceding year had been submitted on 11 November 2014. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 30 October 2015.

**1.2 Qualified Opinion**

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Gomarankadawala Pradeshiya Sabha as at 31 December 2014 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**

Although the Court Fines as at 31 December 2014 according to the register had been Rs.1,363,866, it had been accounted as Rs.532,225. Due to that, a sum of Rs. 831,641 had been understated in the accounts.

**1.3.2 Lack of evidence for audit**

Three items of accounts valued at Rs. 40,072,096 could not be satisfactorily vouched in audit, due to non-submission of required information to audit.

**1.3.3 Non-compliance with laws, rules, regulations etc.**

Instances of non-compliance with laws, rules and regulations observed in audit are shown below.

| Reference to laws, rules, regulations etc.<br>-----  | Non-compliance<br>-----  |
|--|--|
| (a) Rule 59 of the Pradeshiya Sabah Rules (Financial and Administration) of 1988 published in the Extra Ordinary Gazette Notification No. 554/5 dated 17 April 1989. | A list of industries relevant to the area of authority of the Sabha had not been prepared even as at 11 December 2015.   |
| (b) Provincial Financial Rule No. 237  | Action in terms of provisions had not been taken with regard to 05 cheques valued at Rs.14,333 issued, but not presented for payment, although 06 months had elapsed from the date of issue. |
| (c) Circular No. 41/90 dated 10 October 1990 of the Secretary to the Ministry of Local Government, Provincial Councils and Home Affairs                              | Fuel consumption of 08 vehicles belong to Sabha had not been tested once in every 06 months.   |

## 2. Financial Review

### 2.1 Financial Results

According to the Financial Statements presented, excess of revenue over the recurrent expenditure of the Sabah for the year ended 31 December 2014 amounted to Rs. 1,613,663 while the corresponding excess of revenue over the recurrent expenditure for the preceding year had been Rs. 224,055. The improvement of the financial results in a sum of Rs.5,118,201 was mainly due to the increase in Revenue Grants for the preceding year in a sum of Rs.1,389,608.

### 2.2 Revenue Administration

#### 2.2.1 Performance in Revenue Collection

Information relating to estimated revenue, actual revenue and arrears of revenue for the year under review as submitted by the Chairman is given below.

| Item of Revenue | Estimated Revenue | Actual Revenue | Accumulated arrears<br>as at 31 December |
|-----------------|-------------------|----------------|--|
| -----           | -----             | -----          | -----                                    |
|                 | Rs.000            | Rs.000         | Rs.000                                   |
| Lease Rent      | 1,083             | 598            | 485                                      |
| License Fees    | 90                | 59             | 31                                       |
| Other Revenue   | 2,306             | 1,437          | 869                                      |

#### 2.2.2 Stamp Fees

Action had not been taken to compute the Stamp Fees to be received from the Chief Secretary as at 31 December 2014 and recover, even as at 11 December 2015.

## 3. Operating Review

### 3.1 Management Inefficiencies

#### Implementation of Recommendations of the Board of Survey Report.

According to report of the Board of Survey conducted on 08 December 2014, it had been recommended to repair 03 categories of goods, and to remove 13 categories of goods, while 37 categories were to be destroyed. However, necessary action had not been taken for that even up to 11 December 2015, date of audit.

### 3.2 Human Resource Management

#### Approved and Actual Cadre

Information relating to the approved and actual Cadre of the Sabah as at 31 December 2014 is shown below.

| Category of Employees | Approved Cadre | Actual Cadre | Number of Vacancies |
|-----------------------|----------------|--------------|---------------------|
| -----                 | -----          | -----        | -----               |
| Executive Level       | 01             | --           | 01                  |
| Secondary Level       | 15             | 10           | 05                  |
| Tertiary Level        | 16             | 15           | 01                  |
|                       | ----           | ----         | ---                 |
| Total                 | 32             | 25           | 07                  |
|                       | ==             | ==           | ==                  |

Following observations are made in this connection.

- (a) While duties of the post of Secretary which had been vacant since the year 1996 were performed on acting basis, action had not taken to fill the vacancy up to 11 December 2015, date of audit.
- (b) Action had not been taken to fill the vacancies in the posts of Development Officer, Machine Operator and Work Supervisor.

### **3.3 Contract Administration**

#### **3.3.1 Gomarankadawala Drinking Water Project**

Three agreements valued at Rs. 51,571,930 had been signed by the Sabah to implement a drinking water project in three stages under the “Pura Neguma Project” as a solution to the severe shortage of drinking water prevailing in the area of authority of Gomarankadawala Pradeshiya Sabah.

Following matters were observed at the physical inspection made in this regard.

- (a) Although it had been planned to fix water motor with a capacity of 300 liters per minute according to engineering specifications, the motor fixed by the contractor in constructing had been a motor with a capacity of 100 liters of water per minute.
- (b) Although it had been estimated a sum of Rs. 175,000 for a motor with a capacity of 300 liters, when making payments to the contractor according to item of work 5.1, a sum of Rs. 200,000 had been paid for a motor with a capacity of 100 liters per minute. Accordingly, an excess payment had been made for a motor with a low capacity.
- (c) While it takes 09 hours to fill the water tank due to fixing a motor with 100 liters capacity per minute, a large additional power had to be utilized for the extra 6 hours taken.
- (d) It had not been possible to supply water continuously to the consumer, as the water tank gets empty within one hour due to 9 hours time required to fill the water tank as a result of fixing a motor with 100 liters capacity per minute.
- (e) Although a sum of Rs. 1,232,200 had been paid for having certified that the Ferule equipment which enable to disconnect the individual water supply connection for any domestic supply at any time, that part of work had not been fulfilled.
- (f) The site for the construction of the water tank and the height had not been properly identified as proper feasibility study had not been made in carrying out the construction. Due to that, it had not been possible supply water to 40 families in the area.
- (g) In the process of water distribution from in side of the well for this water project, a water refining method had not been included. When the well was physically inspected water had taken a brown color and water sediments were seen on the walls and the bottom of the well due to that.

- (h) While 108 Kidney Patients had been reported in 10 Grama Niladhari Divisions in the Gomarankadawala region alone due to lack of hygienic drinking water, this Project for which a Rs.45 million had been spent had failed to provide adequate drinking water continuously to residents up to 11 December 2015, date of audit.
- (i) Action in terms Part III of the Finance Act No. 03 of 2005 as amended by Finance Acts Amendments No. 13 of 2007 and No. 18 of 2009 had not been taken to retain and remit the Construction Industry Guarantee Fund Levy (CIGFL) amounting to Rs. 55,590 relating to the sum of Rs. 22,236,200 paid for the first stage of the Project.

### **3.3.2 Construction of the Pradeshiya Sabha Building**

Contract agreements had been signed on 13 December 2012 for the construction of a two storied building for the office of the Pradeshiya Sabha for a value of Rs. 31,600,000 under Pura Neguma Project on the basis of finalizing the work within 06 months. Following matters were observed at the physical inspection carried out on 11 December 2015 in this connection.

- (a) Although construction works had been finalized and the building had been handed over to the Sabha on 18 August 2014, two main beams of the roof of two sides had got broken and those two sides had come lower, action had not been taken to repair it.
- (b) Rain water had been leaked through the ceiling to places of Assembly Hall, Record Room and Public Gallery located in the upper floor and it had not been possible to use those halls. The photo copying machine and computers in the Record Room had got soaked with water and those had become defunct. This condition had been due to the lapses of the engineer's plan for making the roof of the building and therefore the sum of Rs. 2,113,650 paid for the roof had become a fruitless expenditure.
- (c) Action in terms Part III of the Finance Act No. 03 of 2005 as amended by Finance Acts Amendments No. 13 of 2007 and No. 18 of 2009 had not been taken to retain and remit the Construction Industry Guarantee Fund Levy (CIGFL) amounting to Rs. 92,130 relating to the sum of Rs. 36,851,944 paid for the first stage of the Project.

## **4. Accountability and Good Governance**

### **4.1 Budgetary Control**

Actual and budgeted expenditure for the year under review indicated a variation between 52 per cent and 81 per cent. Accordingly, it was observed that the Annual Budget had not been utilized as a tool for proper financial management.

## **5. Systems and Controls**

Special attention is needed in the following areas of controls.

- (a) Accounting
- (b) Budgetary Control
- (c) Revenue Administration
- (d) Assets Management
- (e) Contract Administration
- (f) Human Resources Control.