

Report of the Auditor General on Head 155 – Ministry of Provincial Councils and Local Government Year 2016

The audit of the Appropriation Account and the Reconciliation statements including the financial records, books, registers and other records of the Head 155 - Ministry of Provincial Councils and Local Government for the year ended 31 December 2016 was carried out in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Secretary to the Ministry on 09 August 2017. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the Accounts and Reconciliation Statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

1.2 Responsibility of the Chief Accounting Officer for the Accounts and Reconciliation Statements.

The Chief Accounting Officer is responsible for the maintenance, preparation and fair presentation of the Appropriation Account, and the Reconciliation Statements in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Finance and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

2. Accounts

2.1 Appropriation Account

Total Provision and Expenditure

The total net provision made for the Ministry amounted to Rs. 28,927.14 million and out of that Rs. 25,979.98 million had been utilized by the end of the year under review. Accordingly, the savings out of total net provisions of the Ministry amounted to Rs. 2,947.16 million or 10.18 per cent. Details appear below.

Expenditure	As at 31 December 2016			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs. Millions	Rs. Millions	Rs. Millions	
Recurrent	2,264.58	1,129.90	1,134.68	50.1
Capital	26,662.56	24,850.08	1,812.48	6.8
Total	28,927.14	25,979.98	2,947.16	10.18

2.2 Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account Item No.15501 of the Ministry and the actual amounts are given below.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
11.00	10.99	5.20	6.34	35.00	27.82

2.3 General Deposit Account

The balances of the 04 Deposit Accounts of the Ministry as at 31 December 2016 totalled Rs. 106.94 million. Details appear below.

Deposit Account Number	Balance as at 31 December 2016
	Rs. Millions
6000/0000/00/0002/0165/000	0.39
6000/0000/00/0013/0120/000	1.30
6000/0000/00/0016/0110/000	104.87
6000/0000/00/0018/0109/000	0.38
Total	<u>106.94</u>

2.4 Audit Observation

The Appropriation Account and the Reconciliation Statements for the year ended 31 December 2016 of the Ministry of Provincial Councils and Local Government had been satisfactorily prepared subject to the Audit Observations appearing in the Management Audit Report referred to in paragraph 1.1 above. The Material and Significant audit observations out of the Audit Observations included in the Management Audit Report appear in paragraph 3.

3. Material and Significant Audit Observations

3.1 Non – maintenance of Registers and Books

The Ministry had not been maintained the Register of Electrical Equipment in terms of the Financial Regulation 454(2).

3.2 Appropriation Account

3.2.1 Budgetary Variance

Even though, accurate expenditure estimates should be prepared in terms of the Financial Regulation 50, excess provisions had been made for 38 Objects and as such the savings after the utilization of provisions ranged between 10 per cent to 100 per cent of the net provisions relating to the respective Objects.

3.2.2 Liabilities not disclosed

Although a sum of Rs. 3,129.46 million had been paid by through Bank of Ceylon by Letter of Credit to a private company under the Development Assistant Object Code 155-02-04-01-2202, and it included the installment amount of the loan and the interest amount on the purchase of machinery in the year 2014. While preparing estimates this had not been disclosed.

3.2.3 Non-current Assets Movement Report

Even though, it had been stated that the balances mentioned in the Report of the movement of Non-current Assets were agreed with the values of Fixed Assets Register, external hard drives valued at Rs. 611,000 for the computers had not been included to the Report of the Movement of Non-current Assets.

Further, it was observed in audit that additions during the year, revaluation and improvement of Capital Assets also had not been agreed with the values shown in the acquisition of Capital Assets.

3.3 Reconciliation Statement of the Advances to Public Officers Account

According to the Reconciliation Statement of the Advances to Public Officers Account, Item No.15501 as at 31 December 2016, the balances that remained outstanding as at that date totalled Rs. 1.07 million. Even though those outstanding balances remained over periods ranging from 01 year to 06 years, the Ministry had failed to recover those outstanding balances.

3.4 Good Governance and Accountability

3.4.1 Unsettled Liabilities

The value of installment and the interest of (20, 326, 539.40 US\$) Rs. 3,027.03 million to be paid on the purchase of machineries in the year 2014 had not been shown in the Appropriation Account.

3.4.2 Foreign Aid Projects

(a) Under-utilized/ Idle Assets of the Project

(i) Idle Assets

Even though following constructions had been completed and handed over to the relevant Local Government Institutions under the Partial Project of Puraneguma, those were idled as had not been declared open for the utilization even up to 27 September 2017.

Province	Name of the Provincial Institution and the Type of Constructions	Cost	Date handed over to the Provincial Institution
		Rs.million	
Western	Divulapitiya Urban Council - Urban Council Building	52.35	01 December 2015
Western	Seethawaka Urban Council - Library Building	36.70	04 July 2016
Sabaragamuwa	Deraniyagala Urban Council - Multipurpose Building	41.00	11 April 2016
Sabaragamuwa	Yatyanthota Urban Council - Weekly Fair and the Comfort Centre	39.00	01 February 2017
Central	Raththota Urban Council - Weekly Fair	13.70	17 March 2015
North Central	Galnewa Urban Council - Weekly Fair and the Comfort Centre	13.78	23 August 2014

(ii) Under-utilized Assets

Sixteen building projects had been constructed completely by spending a total sum of Rs. 495.73 million under the Project of Puraneguma. Following part of those buildings had been underutilized without used for the intended purposes.

Province	Urban Council and Type of Constructions	Total Cost for the Project	Part of the Building under -utilized as at 01 June 2017
		Rs.million	
Western	Biyagama Urban Council - Multipurpose Building	43.31	Auditorium had not been used due to lack of demand.

Western	Madurawala Urban Council – Multipurpose Building	22.32	The Ayurveda Clinic holds only once in a week but the Western Clinic and the Auditorium not utilized.
Western	Iththepana Urban Council – Multipurpose Building	23.83	Lack of sufficient demand for the utilization of the Auditorium.
Southern	Nagoda Urban Council Weekly Fair and the Multipurpose Building	49.29	Non-use of Nursery School and the Auditorium.
Southern	Kirinda Puhulwella Urban Council – Construction of Bus stand and Weekly Fair	36.37	Non-use of the Fish Stall at the Weekly Fair and Auditorium.
Southern	Thissamaharama Urban Council Weekly Fair	50.00	Non-use of 02 Buildings consist of 71 square metres.
Southern	Katuwana Urban Council – Bus Stand (consist of a upstairs building)	36.29	Not used for more than a period of 16 months.
Sabaraga muwa	Ayagama Urban Council – Weekly Fair	9.82	Not used for more than a period of 02 years due to non- valuation of lease rent.
Sabaraga muwa	Ayagama Urban Council – Bus Stand and Multipurpose Building	34.65	Even though, it had been lapsed for one year neither action had been taken to lease out the shops nor the auditorium too had been used for the intended purpose.
Sabaraga muwa	Impulpe Urban Council – Multipurpose Building	35.30	A part of the building had been utilized only for the functioning of the sub-office of the Urban Council.
Central	Gangawata Koralaya Urban Council –Multipurpose Building of Thennekumbura	22.73	Non-utilization of the Auditorium due to lack of sufficient demand.

Central	Gangawata Koralaya Urban Council – Multipurpose Building of Gurudeniya	23.73	Using only to conducting of the medical clinic.
Central	Hunnasgiriya Urban Council – Multipurpose Building	40.43	Non-use of Auditorium and the Medical Clinic.
Uva	Bandarawela Urban Council – Office Building and the Weekly Fair	35.85	The Weekly Fair had been idled as the access road to the Weekly Fair is inadequate and the office had not been shifted to the new building.
North Central	Kebithigollewa Urban Council – Weekly Fair	14.45	Insufficient demand from the businessmen to maintain the stalls.
North Central	Padaviya Urban Council – Office Building	17.36	Various deficiencies in the constructed building.

(b) Performance of Foreign Funded Projects

It was observed that a Road Package of 12.85 kilometre of Mullaitive District construction contract under the Project of Northern Road Connectivity (Additional Provisions) had been awarded after 2 ½ years from the commencement of the project. The constructions of the same had been planned to be complete by 17 May 2017. However, it had been further revealed that the physical progress according to the progress report submitted to audit had been 75 per cent as at 30 April 2017. Further, the construction activities of a Road Package of Kilinochchi District had been commenced in 31 December 2014 and had been expected to be complete as at 09 August 2016. The physical progress of the same had been 78 per cent as at the date of 30 April 2017.

(c) Benefits after Completion of Projects

Implementation of Local Government Partial Project (Puraneguma)

(i) Following observations are made in respect of the Water Project in Palinda Nuwara and Water Project in Remuna constructed by spending a sum of Rs. 28.63 million.

- * It had been expected to supply drinking water to 360 families by the Palinda Nuwara Water Project which had been constructed using the natural water sources. The water sources had become contaminated due to the encroachers who are living in the water source area and thus the

water was in a unsuitable condition and as a result the water had not been given.

- * As a result of the electric motor pump which fixed to the water tank of the Remuna Water Supply Scheme had not been adequate for the electricity capacity for the functioning, the expected benefits had not been received to the public.
- (ii) Due to the lack of water facilities and could not reached to the public easily to the Sanitary Centre constructed by spending Rs. 2.82 million at the region of Mahalluppallame Urban Council and the Sanitary Centre constructed by spending Rs. 2.50 million at Thirappane, in North Central Province out of the fund of the projects had been idle.

(d) Effects to the Environment as a Result of the project

Greater Colombo Waste Water Management Project

- (i) It had been damaged nearly 22 houses while carrying out construction work of the contract and 7 of its houses had not been repaired by the project even by the date of 07 August 2017. The necessary protective methods should be used to collapse of property in case of the excavation purposes (eg: construction of retaining walls). It was observed that the lack of such measures resulted in the occurrence of damage the Public Property. As a result of this type of contractual process has led to continuous conflicts with the people of the area, and the loss of confidence between the Institution and the Public and will adversely affect for future developments.
- (ii) Prior information should have been collected in relation to residential property located in the vicinity of the construction site but such an information had not been collected. The relevant survey was carried out and such information was collected after damages were occurred to property. Therefore, it was revealed that the adequate attention had not been made relating to the possible hazards and impacts on the construction work.

3.4.3 Performance

(a) National Solid Waste Management Assistance Centre

- (i) Even though, allocated a provision of Rs. 100 million had been from the Annual Estimate 2016 for the Solid Waste Management Project, and it had been increased by making additional provisions and transfers under Financial Regulation up to Rs. 334.31 million. However, necessary actions had not been taken to implement a National Policy on Solid Waste.

- (ii) Under this Object Code Rs. 105 million had been paid to the Colombo Municipal Council for the removal of residencies nearby the Meethotamulla Garbage Yard. A sum of Rs. 10.19 million had been spent for a cleaning the area of Kolonnawa and Kotigawatta which were affected by flood. It had been observed in audit that a sustainable arrangement had not been available in management of Solid Waste.
- (iii) Concentration for a study or a research had not been done in respect of the Sustainable Solid Waste Management.

(b) Development Section

(i) Beliatte City Development

Even though, a sum of Rs. 68 million had been paid to the Land Reclamation and Development Corporation in the year 2014, as advance for the construction of Urban Facilities Providing Centre of the Beliatte Town no construction had been done. The land had been prepared for a vehicle parking place instead of the Urban Facilities Providing Centre. Although the above total advance amount had not been an actual expenditure, according to the accounting records of the Ministry it had been accounted as an expenditure of the year. It had been failed to recover the advance amount Rs.68 million even by the date of 27 September 2017.

(ii) Abandonment of Projects without Completing

Twelve development projects which had been planned to be complete by the end of the year 2016 had been partly completed and abandoned. As a result, the amount spent up to now for those projects amounted to Rs.31.18 million had become fruitless. Details are given below.

Project	As at 31 December 2016		
	Physical progress	Financial progress	Actual Expenditure
	%	%	Rs.million
Pallepola City Development			
Renovation of Information Technology Centre Building	50	18	0.28
Improvement of T.B.Thennakoon Memorial Children Park	50	-	0.78

Panduwasnuwara City Development

Completion of balance work at the Hettipola City Pavement 50 78 1.72

Akkaraipattu City Development

Construction of Public Market –Stage 2 20 - 7.55
Construction of the Art Gallery belongs to the Akkaraipattu Municipal Council – Stage 3 20 3 0.45
Construction of Internal Electric Lighting System for the water park 20 5 0.21

National Development Programme

Construction of Porathievupattu Library Building 50 - 1.93
Construction of Circuit Bungalow of Dhamana Pradeshiya Sabha 20 - 1.44
Construction of the Children Park of the Werugal Pradeshiya Sabha 60 - 2.95

Improvement of Emergency Response Recovery Network Programme

Establishment of the Fire Rescue Unit at Ampara Municipal Council 30 - 2.42
Establishment of the Fire Rescue Unit at Batticoala Municipal Council 30 - 8.22
Establishment of the Fire Rescue Unit at Akkaraipattu Municipal Council 30 - 3.23

Total 31.18
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3.5 Human Resources Management

(a) Approved Cadre and Actual Cadre

The position on the cadre as at 31 December 2016 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess Cadre
(i) Senior Level	35	28	07	-
(ii) Tertiary Level	04	04	-	-
(iii) Secondary Level	150	139	11	-
(iv) Primary Level	55	74	-	19
(v) Others (Casual/Temporary/Contract Basis)	01	-	01	-
Total	245	245	18	19

(b) Utilization of Human Resource belongs to other Institution

The 02 officials of the Sri Lanka Institute of Local Government which comes under this Ministry had been accused for a financial fraud and under a formal disciplinary inquiry. However, they had been attached to the Ministry and the Sri Lanka Institute of Local Governments had paid their salaries.