

Gomarankadawala Pradeshiya Sabha

Trincomalee District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2015 had been submitted to the Auditor General on 12 July 2016 while Financial Statements relating to the preceding year had been submitted on 03 December 2015 with 04 months delay. The Auditor General's Report relating to the year 2015 was issued to the Secretary of the Sabha on 22 November 2016.

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 2015 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 are observed.

- (a) Although the total value of Motor Grader, Dump Truck and Crew Cab made available to the Pradeshiya Sabha in 2015 as per letter dated 27 July 2015 of the Ministry of Public Administration, Provincial Councils, Local Government and Democratic Governance amounted to Rs.34,170,550, the total value of those vehicles had been indicated in Financial Statements as Rs.7,300,000 whereby understating the value in a sum of Rs.26,870,550/-.
- (b) Trade licence fees in arrears for the year 2015 amounting to Rs.27,350 had not been accounted.
- (c) Court fine of Rs.1,363,867 received in 2015 had not been brought to the revenue of the year.

1.3.2 Non-compliance with laws, rules and regulations

Action had not been taken in term of Financial Regulation 571 of the Republic of Sri Lanka with regard to deposits amounting to Rs.16,400 which elapsed 02 years from the date of deposit.

2. Financial Review

2.1 Financial Result

According to the financial statements presented excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2015 amounted to Rs.957,810 as against the excess of recurrent expenditure over revenue for the preceding year amounted to Rs.1,613,663. Accordingly an adverse variation of Rs.2,571,473 was observed in the Financial Result.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

Information relating to estimated revenue, actual revenue, arrears of revenue submitted for the year under review are given below;

| Item of Revenue | Estimated Revenue December | Actual Revenue | Accumulated arrears as at 31 Dec. |
|-----------------|----------------------------|----------------|-----------------------------------|
| ----- | ----- | ----- | ----- |
| | Rs. 000 | Rs. 000 | |
| Lease Rent | 1,079 | 764 | 189 |
| License fees | 61 | 67 | 27 |
| Other Revenue | 2,708 | 3,083 | 1,641 |

2.2.2 Stamp Fees

Action had not been taken to compute and recover the stamp fee receivable from the Chief Secretary as at 31 December 2015.

2.2.3 Court Fines

Action had not been taken to identify and obtain amount receivable as Court Fines as at 31 December 2015.

3. Operating Review

3.1 Management Inefficiencies

With regard to obtaining insurance covers for motor vehicle in terms of Public Finance Circular No.04/2015 dated 14 July 2015, it is required to obtain them directly from state owned institutions. However insurance covers had been obtained by the Sabha for 04 motor vehicles through an Insurance Agent.

3.2 Operating Inefficiencies

Under “E Nanasala” project to be implemented by Sri Lanka Information and Communication Technology Agency aimed at empowering rural community with knowledge on Information and Communication Technology, equipment such as computers, printers, scanners and Web Cameras have been made available on 18 November 2014 at the Public Library, Gomarankadawala. However no action had been taken even by 31 August 2016 to extend anticipated benefits to the public.

3.3 Contract Administration

3.3.1 Gomarankadawala Drinking Water Project

Three agreements valued at Rs.51,571,930 had been signed by the Sabha in August, December 2013 and May 2014 to implement a drinking water project in three stages under “Pura Neguma Project” as a solution to the severe shortage of drinking water prevailing in the area of authority of the Pradeshiya Sabha.

With regard to this project the following matters are observed.

- (a) Although it had been planned to fix a water pumping motor with a capacity of 300 litre per minute according to engineering specifications, at the physical inspection made on 25 August 2016 it was revealed that the contractor had fixed a motor with a capacity of 100 litre per minute.
- (b) Although it was necessary to pay a sum of Rs.175,000 for the water motor with a capacity of 300 liters per minute, when making payment to the contractor under work Item 5.1 , a sum of Rs.200,000 had been paid for a motor with a capacity of 100 litre per minute. Accordingly an excess payment had been made for a motor with a low capacity.
- (c) Due to fixing of a motor with a capacity of 100 litres per minute, additional power had to be utilized in view of the excess time required to fill the water tank.

- (d) The objective of this project was to provide 685 families living in two Grama Niladhari divisions – Gomarankadawala and kandamalawa in Gomarankadawala Divisional Secretariat Division with pure drinking water. However water available in the well had not been suitable for drinking due to its water taking brown colour and non-inclusion of water purification methodology.
- (e) Due to inadequacy of water available in the well and they are not being in the interest of human health, it had been decided to construct a tube well as stage iv of this water project on the instructions of the National Water Supply and Drainage Board for which a contract to the value of Rs.6,986,000 had been awarded on 27 January 2016.
- (f) Agreements had been signed on 13 May 2013 with the National Water Supply and Drainage Board for providing Supervision and Consultancy Services of this project for which a sum of Rs.2,623,200 had been paid. However due to construction of the well without a proper feasibility study and construction of the tank in a location 1 ½ km distance from the well, it had not been possible to distribute water to the expected families.
- (g) Whereas pipes had been laid at a cost of Rs.28,943,737 to provide water to 475 families, it was not possible to provide water to 150 families living in Thirappane, Madugahawewa, Karakgahawewa and Rideepura villages from 2014 itself in which supply of water commenced.

3.3.2 Construction of Pradeshiya Sabha building

Contract Agreement have been signed on 13 December 2012 to construct two storeyed building for Pradeshiya Sabha office under “Puraneguma Project” on the basis of completing constructions within a period of 06 months. The value of the undertaking was Rs.31,600,000 and the building had been handed over to the Sabha on 18 August 2014.

At the physical inspection made in this regard on 25 August 2016 the following matters were observed.

- (a) 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 and the photo copying machine and computer network installed in the Record Room as they had been soaked with water. This condition had been due to lapses of the engineering design 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.
- (b) Action in terms of Part III of the finance Acts No.03 of 2005(as amended by Finance Acts 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 to the Commissioner General Inland Revenue.

3.3.3 Construction of Gomarankadawala Weekly fair shop rooms

Agreements had been signed by the Pradeshiya Sabha with contractors on 17 October 2011 to the value of Rs.4,201,675 (without VAT) for construction of 03 weekly fair shop rooms under “Puraneguma Project”

At the physical inspection made on 03 August 2016 in this regard, the following matters were observed.

- (a) A sum of Rs.4,577,733 had been paid for construction of this building and following the completion of constructions it had been handed over to the Sabha on 15 March 2012. Although the roof of the building had been made using roofing sheets, water had been leaked into shop rooms due to non adherence to due standard. Therefore sheets had been completely removed on 31 August 2016 with the objective of repairing the roof.
- (b) An estimate of Rs.242,907 had been prepared to reestablish the roof within a short period of 04 years following the construction. Due to undertaking constructions in the absence of due supervision, this additional expenditure incurred on repairing the roof.

3.3.4 Delaying of the project

Whereas two valuable agreements had been signed on 12 November 2015 with a Community Association (Praja Mandalaya) as stage I and II valued at Rs.498,422 and Rs.302,868 respectively for repairing of two shop rooms of the Pradeshiya Sabha located in Madawachchiya village under Pradeshiya Sabha augmentation programme, work had not been undertaken even by 31 August 2016.

3.4 Environmental Licence

In terms of provisions under Section 23 ‘a’ of the National Environmental Act No.47 of 1980 as amended by Acts No.56 of 1988 and No.53 of 2000, action had not been taken to identify existing carpentry workshops, paddy milling plants and quarry sites which requires environmental clearance. Furthermore Trade licence had been issued to enterprises which should have obtained environmental license from the Pradeshiya Sabha.

4. Accountability and Good Governance

4.1 Budgetary Control

Actual and budgeted expenditure for the year under review indicated a variation between 18 per cent and 73 per cent. Accordingly it was observed that the Annual Budget had not been utilized as a tool for proper financial management.

4.2 Assets Management

(a) Idle and Under Utilized Assets

Under the National Undertaking for augmentation of Pradeshiya Sabha 2015 two stainless steeled water tanks had been purchased at a cost of Rs.1,000,000 for use in tractors. However they had been kept idle even by 31 August 2016.

(b) Board of Survey

According to report of the Board of Survey conducted on 05 March 2016 relevant to the year 2015, action had not been taken even by 31 August 2016 for implementing recommendations submitted on goods to be repaired, to be sold and to be destroyed.

5. Human Resources Management

Approved and Actual Cadre

Information relating to approved and actual cadre of the Sabha as at 31 December 2015 is shown below;

| Category of Employees | Approved Cadre | Actual Cadre | Number of Vacancies |
|-----------------------|-------------------|-----------------|------------------------|
| Executive Level | 01 | - | 01 |
| Secondary Level | 15 | 09 | 06 |
| Tertiary Level | <u>16</u> | <u>16</u> | <u>-</u> |
| Total | 32 | 25 | 07 |
| | == | == | == |

Following observations are made in this connection.

- (a) While duties of the Secretary which had been vacant since 1996 were performed on acting basis, action had not been taken to fill the vacancy upto 31 August 2016.
- (b) Action had not been taken to fill the vacancies in the posts of Development Officer, Machine Operator and Work Supervisor.

6. Systems and Controls

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

System field attention is needed

- (a) Accounting
 - i. Accounting of assets
 - ii. Accounting of revenue

- (b) Revenue Administration Recovery of revenue in arrears
- (c) Contract Administration i. Evaluation of contracts
 - ii. Completion of contracts without delay
 - iii. Payment of Construction Industry Guarantee Fund Levy (C I G F L)
- (d) Human Resources Management Taking action to fill vacant posts in the cadre
- (e) Budgetary control Preparation accurately.