

Gomarankadawala Pradeshiya Sabha
Trincomalee District

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year 2017 had been presented for audit on 21 August 2018 and the report of the Auditor General of those financial statements had been sent to the Chairman on 02 October 2018.

1.2 Qualified Opinion

In my opinion except for the effect on 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 2017 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 Accountings Deficiencies

The followings were observed

- a. Although buildings constructed in the year under review valued at Rs. 1,545,012, it was accounted as Rs.1,665,553 and as such the value of Revenue Contributions to Capital and Assets Account had been overstated by an amount of Rs. 120,541.
- b. Although the tractor donated to the Council by the Department of Local Government valued at Rs.1,209,000, it was accounted as Rs.1,800,000 and as such the Revenue Contributions to Capital and Assets Account had been overstated by an amount of Rs.591,000.
- c. A total amount of inventory items and garbage bins amounting to Rs.1,146,275 was accounted as non-current asset and therefore the non-current assets and Revenue Contribution to Capital had been understated by that amount.
- d. Court Fines income of the year under review amounting to Rs.2,254,750 had not been accounted and therefor, the income had been understated by that amount and court fines income of the year 2016 amounting to Rs.1,219,077 had been stated as income of the year under review.
- e. Two lawnmowers and a grinder purchased by the Council valued at Rs.31,600 had not been capitalized.
- f. Although the value of construction of the weekly fair and the cafeteria of the Council amounted to Rs. 2,525,751, it was capitalized as Rs. 2,500,000 and as such the Non-current assets had been understated by Rs.25,751.

1.3.2 Information not submitted by Audit

Due to not submitting the deposits certificates of the Council amounting to Rs.130,621, could not be satisfactorily vouched in audit.

1.3.3 Non-compliance with Laws, Rules, Regulations and Management Decisions

Non-compliances with Laws, Rules, Regulations and Management decisions observed during the course of audit are given below.

References to Laws, Rules, Regulations and Management Decisions	Non-compliance
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a. Rule 217 of 1988 Pradeshiya sabha (Financial and Administrative)	A Fixed Asset register had not been maintained in the correct format
b. Financial Regulation 571 of the Democratic Socialist Republic of Sri Lanka	Action had not been taken to settle or to get back to income miscellaneous Deposits coming to Rs.7,500 coming from more than 4 years.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, income over the recurrent expenditure of the Council for the year ended 31 December 2017 amounted to Rs.1,729,746 as compared with the corresponding income over recurrent expenditure for the preceding year amounted to Rs.3,189,451.

2.2 Financial Administration

2.2.1 Estimated Income, Billed Income, Collected Income and Arrears of Income

The details of the Estimated Income, Billed Income, Collected Income and Arrears of income for the year under review and the preceding year are shown below.

Source of Income	2017				2016			Total Arrears as at 31 December
	Estimated Income	Billed Income	Collected Income	Arrears as at 31 December	Estimated Income	Billed Income	Collected Income	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
(i) Rent	1,860	1,964	1,858	106	1,321	1,812	1,694	117
(ii) License fees	119	130	130	-	98	120	120	-
(iii) Other income	1,158	1,754	1,754	-	911	3,062	3,062	-

2.2.2 Rent

The monthly rental income of the shop rooms and rented houses are in between Rs. 1,444 and Rs.2,477, and the Council had not drawn attention to reassess and charge rent for the shop rooms and rented houses suitable to present situation.

2.2.3 Stamp Fees

Action had not been taken address the Chief Secretary of the Provincial council and collect the stamp fees for the years 2016 and 2017.

3. Operating Review

3.1 Performance

Finding revealed after the analyzing that should be execution by the Pradeshiya Sabha in accordance with Section 3 of Pradeshiya Sabha Act such as Regulating and control of Health of the General Public, Common Utility services and Public Road Facilities and Maintenance of People's Prosperity, Welfare and Development are given below.

a. By laws

Although the Bylaws should be enacted for 28 activities according to Section 126 of the Pradeshiya Sabha Act, Bylaws had not been enacted even as at 31 December 2017.

b. Action plan

According to the No.01/2014 Public Financial Circular dated 17 February 2014 an action plan had not been prepared for the year 2017.

c. Not Achieving the Expected Benefits

Although the repairing work of the old office building was completed on 28 December 2017 with the spending Rs.2,765,320 under the National Program of Strengthening Pradeshiya Sabha 2017 with intention of broadening public services and to increase the income of the Council, action had not been taken to fulfill the expected objectives even up to 07 September 2018.

d. Issuing Environment License

In terms of the provisions of Section 23A of the National Environmental Act No. 47 of 1980 as amended by Act No. 56 of 2000 and Act No. 53 of 2000, the environmental protection license should be obtained when implementing enterprises such as rice mills, carpentry and cement-based industries. But, there were 21 such enterprises operating in the area of the authority without license. The necessary action had not been taken by the Council to solve the related environment problem that would arise.

e. Sustainable Development Goals

The Council had not identify a set of criteria for achieving the goals and related targets with focus on providing clean drinking water to the people of the area and protecting the environment as sustainable development goals.

3.2 Management Inefficiencies

The followings were observed.

- a. The Department of Civil Defense has built up a shop and conducting a drinking water distribution center in the land at Meegahawatta public well belonging to the Council without the approval, but actions had not been taken by the Council.
- b. Action had not been taken to send an amount of Rs.362,870 to the Department of National Budget recovered from 8 members under providing Motor cycles on a concessionary basis for Local Government members as per recommendations of the 2014 budget for the supervision of development activities and the amount was deposited in the General Deposit Account even up to 07 September 2018.
- c. Total collected Funds had not been deposited in a bank account daily and had been deposited later in accordance with Rule 29 of 1988 Pradeshiya Sabha (Financial and Administrative). Further, instead of depositing the total funds collected, amounts varying from Rs.6,000 to Rs.20,000 had been retained in hand daily without been deposited in each instance.

- d. The rental income registers for vehicles rented by the council had been maintained.

3.3 Human Resource Management

The followings were observed.

- a. Although the Technical officers of the Council had transferred to Kuchchaveli Pradeshiya Sabha on 28 May 2018 the replacement officer for that post had not reported for duty even up to 07 September and as such the development projects that were proposed to implement for the year 2018 could not be supervised.
- b. Although the maximum amount of distress loan could be paid only Rs.250,000 as per the Public Administration Circular No.30/2008 dated 31 December 2008, an amount of Rs.264,270 had been paid to an officer.
- c. According to Section 07 of the Pension Circular No.07/2015 dated 23 July 2015, only 20 per cent of the total monthly earning should be recovered but form three employees recruited as substitution basis on a permanent basis had been calculated on their basic salary in the years 2016 and 2017. As such contribution of the employee and employer had been undercalculated by an amount of Rs.135,240.
 - i. A Management Assistant had been recruited on acting basis for the Secretary of the Council although which is a Supra Grade Management Post and action had not been taken to fulfill the vacant even up to September 2018.
- d.
 - ii. Due to the vacancies left in the posts of Development officer, Management Assistant and a Revenue Inspector. It was difficult to carry out the activities of the Council pro properly.

3.4 Operational Inefficiencies

The followings were observed.

- a. Even though the public library of the council is fully equipped with equipment such as computers, printers, scanners, and web cameras which were provided by the Sri Lanka Information and Communication Technology Agency on 18 November 2014 action had not been taken to give the expected services for the public even up to September 2018
- b. Office equipment valued at Rs.283,998 had been purchased under the grants of the Ministry of Local Government for the programe 2017 of Installing Front Offices in Local Government Institution. Although 3 computers and related equipment and a printer had been provided by the Ministry for the program of 2018, for that programme a front office was not established even up to September 2018.

3.5 Asset Management

3.5.1 Idle and Under-utilized Assets

The followings were observed.

- a. Madawachchiya office building belonging to the Council had been left idle since October 2016 and attention had not been drawn for the use of the building for necessary activities.
- b. Although the old water bowser tank removed in 2016 was still in usable condition, action had not been taken to put it fruitful work and had been left idle even up to 07 September 2018.
- c. The Mitsubishi cab and the tractor owned by the Council were not in use since 2004 and 2018 respectively and action had not been taken to repair and use or to dispose those even up to 07 September 2018.

3.5.2 Board of Survey of Goods

The followings were observed.

- a. Action had not been taken to follow the recommendations of the Board of Survey conducted on 22 June 2018 for the year 2017 relating to the goods to be repaired, sold or destroyed even up to 07 September 2018.
- b. Action had not been taken according to the Board of Survey report even up to 07 September 2018 in respect of 25 books that were not presented for Board of Survey.

3.6 Identified Losses

An amount of Rs.12,354 had been paid for the reconnection of the disconnected electricity of the Madawachchiya shop room No.6 due to not paying the electricity bills on to due date.

3.7 Procurement

3.7.1 Procurement plan

A procurement plan had not been prepared for the year 2017 according to the Public Financial Circular No.01/2014 dated 17 February 2014.

3.7.2 Contract Management

3.7.2.1 Gomarankadawala Drinking Water Project

Three agreement valued at Rs.51,571,930 had been signed relating a drinking water project under three steps as a solution to the lack of drinking water in the Pradeshiya Saba under the “Pura Naguma” project.

The following were observed in this regard.

- a. Although the objective of the project was to supply pure drinking water to 685 families living in the Gramaseva areas of Gomarankawala and Kandamalava belonging to the Gomarankadawala Divisional Secretariat due to the water in the constructed well was brownish color and due to not included a purification system the water was not suitable for drinking.
- b. A contract had been signed with the National Water supply and Drainage board for the supervision of the project on 13 May 2013 and Rs.2,623,200 had been paid for that but due to constructing the well without a proper feasibility study and constructing the tank about 1 ½ km away, water could not be properly given to the expected families.
- c. Although water was given to the household units in the village of Madugahawewa under this project, it was found at the field inspection conducted on 07 September 2018, water was not properly given to the people of the village and necessary action had not been taken to provide water in proper method.
- d. On the advice of the National Water supply and Drainage board for the construction of a tube well as the water were not sufficient and being unfit for consumption a contract amounting to Rs.6,986,000 had been given and although water supply equipment should be bought for only 325 families, 475 equipment had been purchased and as such an amount of 228 equipment valuing Rs.1,399,380 was left idle.

3.7.2.2 Concreting the Galkadawala Handicrafts Industry Road

Although a contract valued at Rs.2,148,615 had been awarded on 30 July 2016 for the concreting the Galkadawala Handicrafts industry road under the program of Development Grant of Pradeshiya Sabha and work had been completed on 07 September 2016, it was observed that the several places of the road had cracked. Without taking action to get repaired the cracks through the contractor the retention amounting to Rs.211,365 had been released on 14 March 2017. Similarly, the starting point the road coming under water in raining day and as not constructed a culvert at that place travelling on the road is difficult.

4. Accountability and Good Governance

4.1 Presentation of Financial Statements

According to the Rule No.168 of 1988 Pradeshiya Sabha (Financial and Administrative), the financial statements of the year under review should be presented for audit before 31 March but it was presented on 21 August 2018.

4.2 Budgetary Control

Variations were observed between the budgeted income and expenditure and the actual income and expenditure of the year under review there was range of 13 per cent to 92 per cent and the budget had not been use as a fruitful financial control.

5. System and Control

Special attention should be given to the following areas of System and Control.

System	Weakness
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a. Accounting	i. Assets not accounting ii. Income not accounting
b. Income Administration	Recovery of arrears of income was not collected
c. Contract Administration	i. Not evaluating the controls ii. Delays in complication
d. Human Resource Management	Action taking to fulfill the staff vacancies