



*Assess the expected benefits been reaped by the
Local Government Enhancement (Pura Neguma)
Sector Project*

WNP₂/CB/H/LGESP/PA/2019



National Audit Office



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1. Executive Summary

Local Government of Sri Lanka has a long history and experts are of the opinion that it is proved by interpretations on information from inscriptions established in the 3rd century B.C. There are three groups of local authorities, namely Municipal Councils, Urban Councils and Pradeshiya Sabhas, the smallest of them being “Pradeshiya Sabha”, which was introduced by the Pradeshiya Sabhas Act, No.15 of 1987. According to the 13th Amendment introduced to the Constitution of the Democratic Socialist Republic of Sri Lanka in the year 1987, local government remains a subject of Provincial Councils.

Various investments are being made to uplift these local authorities by foreign funded projects implemented under the Central Government due to difficulties in providing services to the people and development of necessary infrastructure facilities by the self-reliance of Pradeshiya Sabhas, specifically by Pradeshiya Sabhas located far away from main cities of the country.

In considering at Pradeshiya Sabha level, a handful of Pradeshiya Sabhas that cater to the people at their maximum by avoiding financial difficulties on the guidance of leadership of Divisional Administration and sincere commitment of officers, are not hard to be found among them. There is no evidence of adequate development in certain local authorities due to matters of non-identification of projects required by the people and unavailability of systematical line up in the requirements.

The duties included in the scope assigned to the local authorities of Sri Lanka are two folded.

- Duties bound to be discharged compulsorily
- Duties not compulsory despite authority of discharge

As well as delegation of powers to every local authority for discharge of duties, it has been legally prescribed relating to duties relevant to thoroughfares within the area of authority and public health as duties which should be compulsorily discharged. Failure in discharge of the said duties intentionally or otherwise, would be neglecting of responsibilities as well.

There are duties not prescribed legally for compulsory discharge despite authority of discharge. Public utility services, welfare services, education, religious and cultural services assigned to local authorities come under these duties. Even though powers have

been delegated for providing these services, they can be provided only by considering the resources available in the Authority and the demand or requirement of the people. Priority should be given to discharge of duties and responsibilities of the Authority.

Accordingly, the responsibility of providing all facilities necessary for the lives of people spanning from the maternity clinic to the crematorium has been also assigned to the local authorities. As such, the responsibilities of maintaining maternal clinics, health clinics, dispensaries, Ayurveda medical centres, waste management, control of communicable diseases and pandemics, town planning, approval of town plans, street lighting, taking action to prevent environmental harm from factories, maintaining library services for children and adults, pre-schools, day care centres and even maintaining crematoriums, cemeteries and maintaining the town beautifully with sanitary measures, have been assigned to this small unit.

Many have identified the local authorities functioning contrary to good governance principles as authorities failed in fulfilling public requests due to powers of the local authorities and requests of urban residents.

However, building up of a local government system with a solid foundation and a steady revenue, rendering a satisfactory service to the public, would without doubt make life more comfortable for the citizens of the country. It is stressed therefor that the large scale infrastructure facility development projects implemented by the Central Government should turn out to be essential and successful projects and thereby reaping expected benefits by the people and the local authorities as essential matters.

Nevertheless, in the implementation of the Local Government Enhancement (Pura Neguma) Sector Project, matters including selection of sub-projects without conducting studies for selecting them in accordance with criteria specified in the Project Management Manual, delay in the execution of the project, non-preparation of Action Plans and Project Financial Plans in accordance with the Management Manual, delays in procurements, unfit constructions, idle and underutilized constructions as well as several instances of non-achievement of expected objectives and having to make additional payments to consultancy firms for maintaining project offices due to non-completion of the project by completing constructions within the due period, were observed in audit.

2. Introduction

2.1 Background

A number of projects have been implemented for development of infrastructure facilities of local authorities under loans granted by the Asian Development Bank, which is an institution lending monies on concessionary interest rates for various development projects in Sri Lanka. It had been agreed by the Loan Agreement No.2790 SRC (SF) entered into on 21 October 2011 between the Democratic Socialist Republic of Sri Lanka and the Asian Development Bank to utilize US\$ 68.8 million or Rs.8,940 million for development of infrastructure facilities of 100 Pradeshiya Sabhas belonging to 7 Provincial Councils and to finance Rs.7,892 million of that, equivalent to US\$ 59 million in the Asian Development Bank. However, it had been subsequently decided that the amount agreed by the lending agency as Rs.7,892 million equivalent to US\$ 52.04 million due to revaluation of US Dollars against special drawing rights. Moreover, the Rupee has devalued in relation to the US Dollar. As such, the number of local authorities had been increased up to 108 with the increased value of the Rupee while the project which was due to be completed by 30 June 2015, had been extended up to 30 June 2017 by two years.

The repayment of loan installments with interest after expiry of the grace period commenced on 15 November 2019 and comprised 48 half yearly installments of 768,708 Special Drawing Rights (SDR). The final installment should be paid on 15 May 2043 and the Special Drawing Rights (SDR) loan installment of 768,708 paid on 15 November 2019 can be computed as US\$ 1.05 million or Rs.186.25 million to the nearest.

If the expected benefits could not be reaped from the project by the time of payment of loan installments, this loan would be a burden to the Government. As such, obtaining loans for repayment of loan installments would be inevitable.

2.1.1 Objectives of the Project

Accountability through development of infrastructure facilities of local authorities and providing an efficient service through local authorities strengthened financially and technologically is one of the key objectives. Accordingly, the expected objectives from buildings constructed for development of environmental, economic, public health and local government facilities, appear below.

2.1.1.1 Objectives expected from Bus Stands

- (a) Revenue received to the Pradeshiya Sabha from parking fees charged from buses and other vehicles entering the bus stand, stall rent and fees charged from the public for making use of sanitary facilities
- (b) Providing facilities for passengers to get on and off from buses safely
- (c) Providing facilities for passengers waiting for buses
- (d) Improving sanitary facilities for passengers and people frequenting the area
- (e) Minimizing the time spent by residents of the area for obtaining various facilities

2.1.1.2 Objectives expected from Water Supply Projects

- (a) Improving the health standard of people of the area by providing clean water after periodical quality testing and minimizing expenditure
- (b) Uplifting the economy through minimizing the expenditure incurred on water for a family unit
- (c) Providing clean drinking water to people affected with scarcity of water throughout the year
- (d) Arranging an revenue generating source for the Pradeshiya Sabha from water charges
- (e) Providing a solution for people in areas affected with kidney related diseases by providing them with clean water
- (f) Increasing the quantity of agricultural produce

2.1.1.3 Objectives expected from Multipurpose Buildings

- (a) Minimizing the expense and time of residents of the area by providing facilities to obtain several services from one place
- (b) Minimizing the expenditure incurred by the Government and people on medical treatment by improving the health standard of citizens by medical clinics.
- (c) Establishment of protected day care centres for children and thereby minimizing the monthly cost incurred for a single child by parents
- (d) Providing a place for the people of the area to hold functions at a reasonable cost

- (e) Receiving a revenue by the Pradeshiya Sabha by giving the auditorium on hire and renting out stalls
- (f) Providing services of a pre-school with facilities at a reasonable cost to the people of the area

2.1.1.4 Objectives expected from Libraries

- (a) Improving the literacy and reading habit of people of the area .
- (b) Minimizing the annual expenses of the people of the area in visiting a library.
- (c) Increasing the annual revenue of the Sabha by library fees of members

2.1.1.5 Objectives expected from Weekly Fairs

- (a) Providing infrastructure facilities for the customers to make purchases conveniently
- (b) Arrangement of a place with more facilities than at present for visiting sellers to sell their wares
- (c) Increasing the revenue of the Sabha by charging a fee from the sellers who come to the weekly fair or leasing out the land where the fair is held
- (d) Providing an opportunity to the customers to minimize expenditure by getting goods including fresh vegetables, fruits and fish through high competition.
- (e) Improving the income of the sellers community through more sale
- (f) Providing sanitary facilities of high level to the sellers and customers who come to the weekly fair
- (g) Contributing to minimize spread of diseases by a clean and pleasant weekly fair ground
- (h) Minimization of congestion and accidents on road due to improper selling on roads on weekly fair days
- (i) Improve the income of farmers by paying a competitive price for the products of the farmer community in the area
- (j) Minimize the wastage of vegetables, fruits occurred in an improper fair

2.1.1.6 Objectives expected from Sanitation Centres

- (a) Providing the facility of getting sanitation facilities for passengers who are engaged in travelling.
- (b) Improvement of the beauty of cities and the livelihood of people
- (c) Receipt of revenue to the Pradeshiya Sabha
- (d) Minimization of spread of diseases by keeping the environment clean

2.1.1.7 Objectives expected from Crematoriums

- (a) Providing financial relief to residents of the area by cremating dead bodies on low cost
- (b) Receiving a revenue to the Pradeshiya Sabha by providing services to residents outside the area of authority
- (c) Minimization of obtaining firewood from forest reserves for burning dead bodies.

2.1.2 The Role of the Ministry of Provincial Councils and Local Government

In terms of paragraph 4 of the Provincial Council List stipulated in the Ninth Schedule of the Thirteenth Amendment to the Constitution of the Democratic Socialist Republic of Sri Lanka, local governance is a subject coming under Provincial Councils. Nevertheless, Government affairs relating to Provincial Councils and local authorities as well as foreign affairs have been blocked in respect of Provincial Councils as indicated in the Reserve List of the aforesaid Constitution, resulting in the necessity of a ministry of the Central Government due to the requirement of operating as the executive agency for development projects executed on foreign borrowings.

Notwithstanding anything in the Law, the Ministry of Provincial Councils and Local Government is directly implementing projects for development of infrastructure facilities of local authorities. Attempts have been made to solve possible issues arisen through implementation by obtaining concurrence of the relevant local authorities therefor.

2.1.3 Pradeshiya Sabhas

Pradeshiya Sabha, the smallest unit of local authority under Local Government of Sri Lanka has been established by Act, No. 15 of 1987 and 276 Pradeshiya Sabhas are in operation at present. Out of the said local authorities, “North-East Local Services Improvement Project” was implemented for improvement of local authorities in the North-East, thereby improving the infrastructure facilities of local authorities of the said two provinces. Moreover, 108 Pradeshiya Sabhas had been selected by the Local Government Enhancement (Pura Neguma) Sector Project for improving local authorities of 7 provinces other than the Northern and Eastern provinces.

2.2 Authority for Audit

This performance audit was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka in terms of Sub-sections 3(1)(d), 5(2) and 12(h) of the National Audit Act, No.19 of 2018.

2.3 Basis for Selecting the Topic

Assets have been vested in relevant local authorities after completing constructions utilizing foreign borrowings. However, as project offices are closed with the completion of the project period, no follow up action is taken on those projects. According to matters revealed during the audit of the Pura Neguma Project and information published in newspapers, in paying attention towards public representations, it had been observed that unsuccessful or half way unsuccessful sub-projects exist. As such, selecting this topic was based on the study on the extent of achievement of objectives expected from those projects, if not achieved the reasons therefor and whether the investments made could be diverted into receiving benefits and recommendations submitted thereon.

2.4 Scope of Audit

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAI 3000 – 3200).

The Project Management Manual of August 2011 approved by the Asian Development Bank, Procurement Instructions Manual and feasibility study reports prepared and submitted by consultancy companies appointed with the concurrence of the Asian Development Bank were based for this audit.

2.5 Objectives of this Audit

An evaluation relating to following matters was the objective of this performance audit.

- i. Are the expected economic and social benefits from constructions reaped under this project?
- ii. Are the benefits reaped at present adequate in relation to the cost?
- iii. What are the obstacles in reaping expected benefits?
- iv. Are further improvements necessary for reaping expected benefits, are there sources to provide therefor?

3. Audit Observations

3.1 Planning

3.1.1 Basic Studies

Information was made available that it had been decided on sub-projects in accordance with criteria indicated in the Project Management Manual by a committee comprising officers of the Ministry chaired by the Secretary to the Ministry of Provincial Councils and Local Government. However, information on the members of the said committee, the proposals considered for selection and by whom the proposals were submitted, was not made available to Audit.

Long term development plans were not prepared at Provincial Council level and Local Government level and further, information was not made available to Audit whether development requirements had been identified and listed according to priority.

Planning of development schemes decided as sub-projects of the Pura Neguma Project have been assigned to private construction consultancy firms and the said consultancy firms had prepared economic analyses, social analyses and environmental analyses. No project whatsoever selected by the committee based on these studies had been rejected on inadequacy of reaping economic and social benefits in implementation.

3.1.2 Corporate Plan

A clear plan on the entire operation of the Project had been submitted through the Project Management Manual. According to the Implementation Plan included therein, the following activities should have been carried out.

- i. Identification of sub-projects in the final quarter of the year 2011
- ii. Completion of procurements and award of contracts in the final quarter of the year 2013
- iii. Completion of all constructions by the end of the year 2014

(Annexure 01 - Overall Project Implementation Plan)

According to the Project Implementation Plan, all sub-projects should have been completed by 31 December 2016. However, it was observed that constructions of 20 sub-projects valued at Rs.843.74 million were completed with a period of delay ranging from 05 to 377 days.

(Annexure 02)

The project period had to be extended from 30 June 2015 to 30 June 2017 due to a delays in the procurement process and construction contractors.

3.1.3 Action Plan

An Action Plan had been prepared annually by the Project Office. Nevertheless, the Annual Action Plan had not been prepared in compliance with the Project Implementation Plan submitted through the Project Management Manual with durations.

3.1.4 Financial Plan

A Financial Plan had been submitted for the entire project by the paragraph on cost and financing in Chapter IV of the Project Management Manual. (Annexure 03)

Additional expenses including payment of salaries, office expenses and payments to supervision and consultancy companies for project constructions on time basis, had to be made due to extension of the project period.

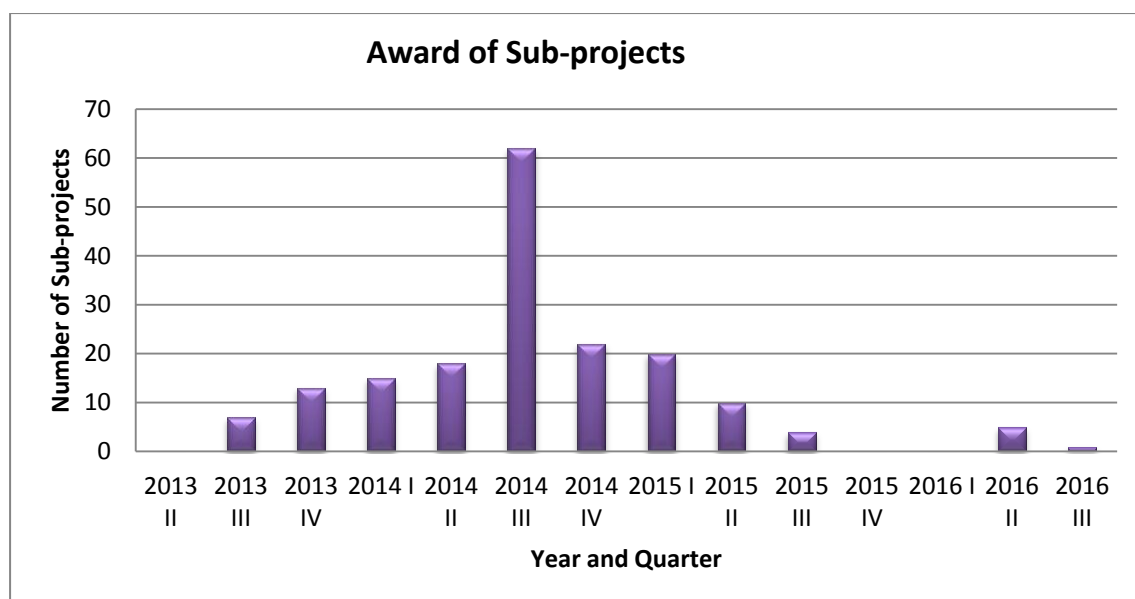
3.2 Implementation of Projects

3.2.1 Delays in Commencement of the Project and Sub-projects

Even though the agreement relating to the project had been entered into on 21 October 2011, the project activities had been commenced in July 2012 with a delay of 08 months. However, instead of taking action to expedite project activities by avoiding delays in commencement, procurement activities of sub-projects and commencement of

constructions too had been delayed. In implementation of this project, the progress on adherence to the procurement process was not in a satisfactory level and the entire procurement should have been completed within the first quarter of the year 2014. However, the said activity had been delayed up to the third quarter of the year 2016.

Details are as follows.

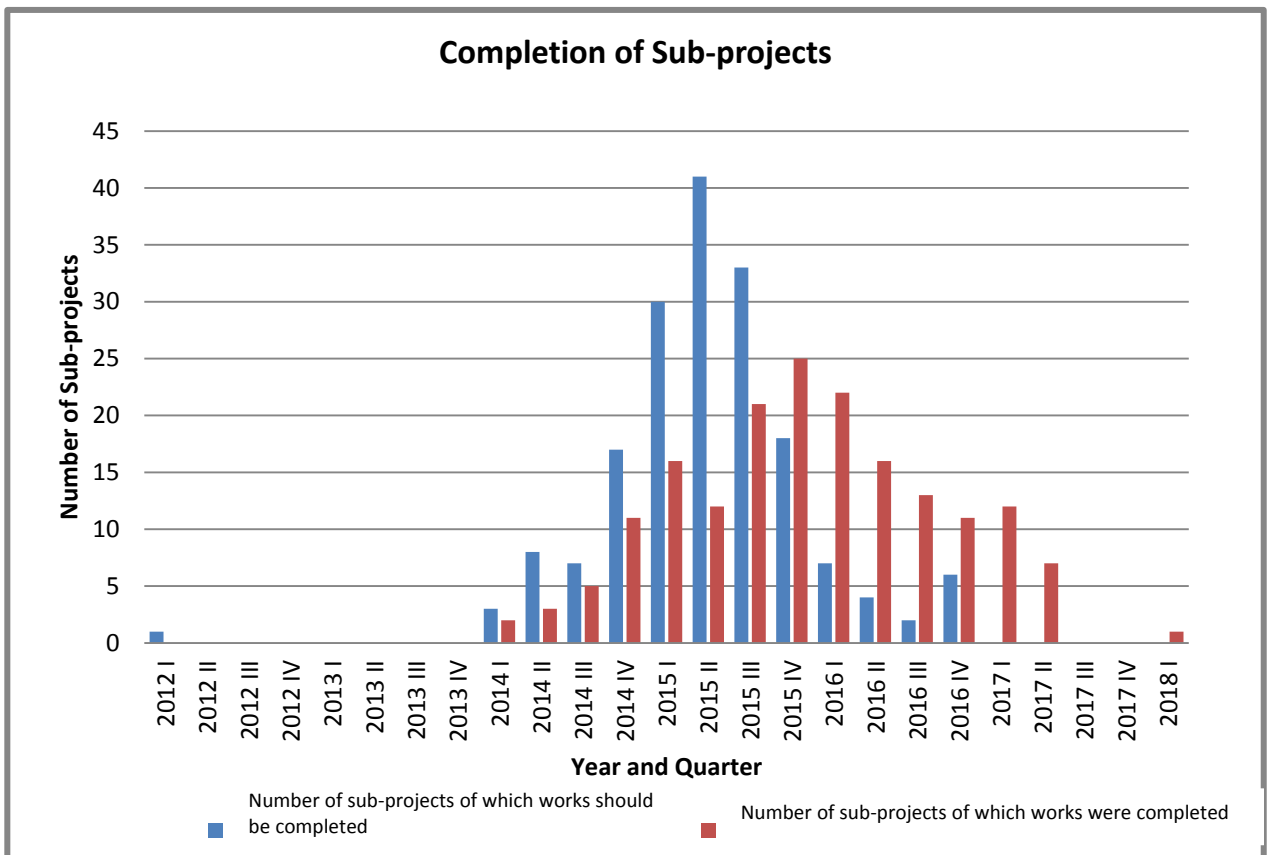


3.2.2 Delays in Execution of Sub-projects

Even though construction contracts were commenced after procurement, works had not been completed and handed over within the specified period. Moreover, adequate measures had not been taken by the Project Office to avoid construction delays. Accordingly, sub-projects 1, 35, and 122 should have been completed in prescribed quarters in the years 2012, 2014 and 2015 respectively. However, completion of constructions in 1,14 and 55 sub-projects had been delayed.

Serial Number	Quarter	Number of Projects to be completed	Number of Works completed	Difference
1	2012 I	1	0	(1)
2	2014 I	3	2	(1)
3	2014 II	8	3	(5)
4	2014 III	7	5	(2)
5	2014 IV	17	11	(6)

6	2015 I	30	16	(14)
7	2015 II	41	12	(29)
8	2015 III	33	21	(12)
9	2015 IV	18	25	7
10	2016 I	7	22	15
11	2016 II	4	16	12
12	2016 III	2	13	11
13	2016 IV	6	11	5
14	2017 I	0	12	12
15	2017 II	0	7	7
16	2018 I	0	1	1



3.2.3 Planning of Sub-projects and Fitness of Constructions

Deficiencies in plans and constructions of sub-projects were observed during the course of audit test checks. As such, a threat was posed to the existence of constructions and it was observed as well that maintenance expenditure may increase. Details are as follows.

(a) Mawathagama Bus Stand

- i. Waterproofing had not been applied for preventing leakage of water through the concrete layer on the steel structure of the half completed building of the bus stand. As such, the steel structure had been subjected to decay.

- ii. Clean water had not been supplied to toilets and the sensors fixed were inoperative due to the unclean water used. As such, all the commodes and wash basins were discoloured.



(b) Remuna Water Scheme

Motors operated by three phase electricity had been installed to pump water supplied by the Water Supply and Drainage Board to the overhead distribution tank located at the mountain top for providing drinking water to 72 families residing in the village of Remuna located on a high waterless land. Nevertheless, it was observed that an adequate water supply could not be distributed to the said location due to failure in supplying an adequate electric current of the three phase connection supplied.

(c) Udapalatha Water Scheme

The activities of this project had been completed on an expenditure of Rs.183.54 million under three stages by using a natural water-way. Nevertheless, it had been handed over to the Pradeshiya Sabha on 11 January 2018 without remedying the defects occurred in constructions.



- i. It had been pointed out by Audit even before completing and handing over the project, that sand is collected in the place from which water is provided for the said project. Moreover, it was observed that an agreement had been

entered into for a contract of Rs.102.29 million under the Local Government Enhancement (additional provision) Sector Project to solve the said issue and to remedy the said defects of the Wilgamuwa and Ududumbara Water Schemes.

- ii. A treatment and distribution centre of the National Water Supply and Drainage Board is located above the place where water is supplied and it was observed that attention had not been paid to improve the said water supply system itself.

(d) Installataion of the Elevator in the Welivitiya Divithura Pradeshiya Sabha Building

The elevator installed by spending a sum of Rs.3.5 million had been handed over to the Pradeshiya Sabha on 08 March 2017 and it had become inoperative due to defects thereof.

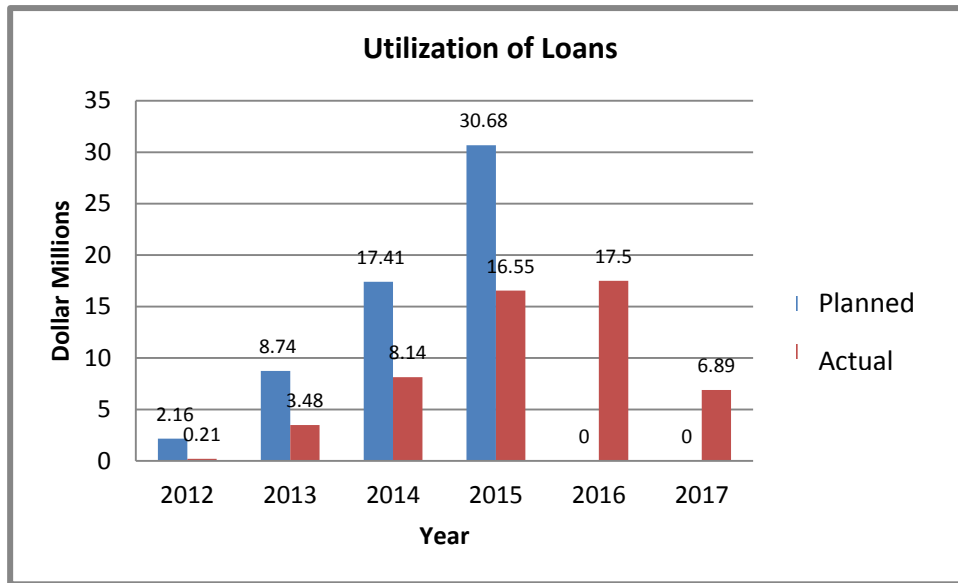
In the installation of an elevator on orders stipulated in 5(8) a to i of regualtions published in the Gazette Extraordinary No.1467/15 of 17 October 2006 compiled in terms of Sections 23 and 25 of the Protection of the Rights of Persons with Disabilities Act, No. 28 of 1996, the essential specifications required for the convenience of a disabled person had been included. However, the said specification had not been complied with, in the installation of the aforesaid elevator and it was confirmed by the inability of carrying at least a wheel chair.

Even though the Secretary of the Pradeshiya Sabha had made requests from 14 March 2017 to correct the defects of this elevator, measures had not been taken by the project office therefor.

3.3 Performance of the Project

3.3.1 Financial Performance

The project of which works were commenced on 01 July 2012 should have been completed by 30 July 2015. However, the project period was extended up to 30 June 2017 and US\$ 52.77 million had been utilized by 31 December 2017 as follows.



3.3.2 Physical Performance

According to the objectives of the Project, the details on projects implemented in the 108 local authorities selected for objectives of improving infrastructure facilities of administrative building constructions and other community infrastructure facilities, are as follows.

Nature of Construction	Number of Local Authorities connected	Number of Sub-projects
Administrative buildings	39	40
Improvement of infrastructure facilities	21	21
Improvement of community facilities	80	89
Water supply projects	18	25
Other	03	03
		178

3.3.2.1 Idle Sub-projects

Four bus stands, 04 water supply projects, 02 multipurpose buildings and 03 sanitation centres constructed on an expenditure of Rs.332.19 million under this project, had been handed over to the relevant local authorities and the projects which remained completely idle are as follows. Detailed information on the said construction projects are as follows.

Serial Number	Sub-projects	Expenditure Rs.Millions
1	Wanathawilluwa water scheme	57.97
2	Wilgamuwa water scheme	57.19
3	Diklanda water scheme of the Madurawala Pradeshiya Sabha	26.83
4	Mahawa Polpithigama water scheme	14.62
5	Rideegama bus stand	43.49
6	Meegahakiwula bus stand	33.51
7	Kirama bus stand	31.11
8	Lankapura bus stand	11.33
9	Imbulpe multipurpose building	34.08
10	Haldummulla multipurpose building	12.46
11	Sanitation centres at Ipalogama, Palagala and Thirappane	9.60
	Total	332.19

(a). Wanathawilluwa Water Scheme

Water provided by the Water Supply Board collected in reserves by pipelines was due to be distributed to consumers relating to this water scheme which had been handed over to the Paradeshiya Sabha on 30 June 2017 completed on an expenditure of Rs.57.94 million. Out of that, it had been planned to provide a volume of 512m³ comprising 24m³ for 80 families of Gangewadiya area, 38m³ for the Navy camp and 450m³ for 670 families of the 03 villages of Aluth Eluwankulama, Parana Eluwankulama and Ral Maduwa respectively.

An additional estimate of Rs.8.2 million had been submitted by the Water Supply Board for the water supply connection by now and the Ministry of Megapolis and Western Development had made payments in the year 2019 for activities including purchase of water pipes and accessories, digging ditches and laying of pipelines. However, the Water Supply and Drainage Board had decided to provide a unit of

water for Rs.18 after adding VAT and service charges to the Pradeshiya Sabha. Moreover, as a unit of water had to be sold over Rs.35 to consumers by the Pradeshiya Sabha after adding maintenance expenses and other service charges, distribution of water had not been commenced. As such, the following matters were observed.

- i. That the people who expected the water connection are affected with a severe scarcity of drinking water throughout the year due to non-implementation of the water scheme,
- ii. That despite expecting to decrease the health expenditure of the people of the area by Rs.2.25 million, failure in fulfilling the said expectation due to non-implementation of the project,
- iii. That despite expecting to uplift the economy of the people by decreasing the expenditure incurred for supply of water by Rs.2.21 million, non-fulfilment of the said objective,
- iv. That despite expecting to bring about a solution for prevention of kidney disease, non-fulfilment thereof,
- v. Despite expecting to gain a profit of Rs.1.4 million by providing water to the Pradeshiya Sabha, non-fulfilment thereof,

(b) Wilgamuwa Water Scheme

A sum of Rs.57.19 million had been spent for constructing the drinking water scheme in Hettipola within the area of authority of the Wilgamuwa Pradeshiya Sabha, of which constructions had been completed and handed over to the Pradeshiya Sabha on 30 June 2017. It had been planned under this project to pump water obtained from a well to the old overhead distribution tank located on towers, after purifying and storing in a reserve.

- i. Despite being an area of the Central Province, the rainfall is usually similar to that of the Dry Zone during the North-East monsoon. As such, it was observed that the drying up of tanks, streams and brooks had not been given consideration in the feasibility study.
- ii. It was observed that water could not be provided to 500 families as expected due to the scarcity of water in the constructed well for the most part of the year.

- iii. Out of the sum invested for the project, no economic or social benefit has been reaped by the people of the area or the Pradeshiya Sabha and as such, it was observed the expenditure incurred for this project as fruitless. It was further observed that no technical study had been conducted on the improvements to be made for obtaining the expected level of water from the well.

(c) Madurawala Pradeshiya Sabha – Remuna and Diklanda Water Schemes

Two water schemes had been implemented on an expenditure of Rs.26.83 million for providing a volume of 60m³ of drinking water per day to 25 families in the Diklanda village and to 150 families in the Remuna village located within the area of authority of the Madurawala Pradeshiya Sabha. The works of these projects had been completed on 15 September 2016 and handed over to the Pradeshiya Sabha on 10 October 2016.

- i. A public well belonging to the Pradeshiya Sabha had been improved for providing water to the Diklanda Water Scheme and a test carried out subsequently revealed that the said water contained a high level of bacteria growth. Adequate attention had not been paid as to whether wastewater is collected from houses and toilets located closely to the place where the public well is located. As such, it was observed that the development of the well, laying of pipelines, fixing water tanks, distribution as well as the total expenditure incurred on installation of water meters had been fruitless.
- ii. Even though it was expected to earn an revenue to the Pradeshiya Sabha after covering all expenses from the revenue earned from water bills, it was observed that no such revenue had been received.

(d) Mahawa Polpithigama Water Supply System

A sum of Rs.14.62 million had been spent to install polymer tanks for providing only drinking water to two areas of the Mahawa Pradeshiya Sabha and the Polpithigama Pradeshiya Sabha respectively identified as areas affected with kidney related diseases.



- i. Even though it was expected to provide drinking water required for 1,800 families in the Polpithigama area which is an area with patients severely affected with kidney disease, the expected objectives had not been achieved due to inability of providing water.
- ii. The polymer water tanks installed all over the area had remained idle since the year 2017 and as such, they had been subjected to the risk of breakage and damages by animals.
- iii. Even though an annual revenue of Rs.7.78 million had been expected to the Pradeshiya Sabha at the commencement of the project, it was observed in audit that no revenue whatsoever could be received to the Pradeshiya Sabha.
- iv. There had been an agreement for providing lorry bowsers by the project for distributing water to water tanks at Polpithigama, 35 kilometres away from the water supply centre located in Koonwewa. However, failure in taking action accordingly as well had resulted in the inactivity of the project.

(e) Rideegama Bus Stand

It had been planned to use the ground floor for the bus stand, first floor for Ayurveda and Western Medical Clinics, pre-school, canteen and reading room and the second floor for the conference hall of this building, which was constructed by spending a sum of Rs.43.49 million. Even though the project had been handed over to the Rideegama Pradeshiya Sabha on 29 March 2017, the ground floor and the first floor of the building, of which constructions had been

completed, had not been opened to the public even by 18 September 2019 for achievement of the expected objectives.



- i. Seating and safety facilities necessary for passengers while waiting for buses, had not been provided.
- ii. The services to be provided as well as an expected revenue of Rs.5.3 million had been deprived of to the public and to the Pradeshiya Sabha respectively due to failure in using the bus stand.
- iii. Even though it was expected to improve the standard of health of people residing in the area, health clinics had not been held. As such, the said objectives had not been achieved. Moreover, the time and expenditure spent therefor could not be reduced as the residents of the area had to travel to other cities to obtain health facilities.
- iv. Even though space had been allocated for an Ayurveda clinic in the first floor of the building, an Ayurveda Hospital belonging to the Department of Ayurveda is located close to the bus stand. As such, it was observed that there is no requirement of an Ayurveda clinic.

(f) Meegahakiwula Bus Stand

A sum of Rs.33.51 million had been spent for construction of this bus stand and the access road and the constructions thereof had been completed and handed over to the Pradeshiya Sabha on 24 April 2017.



- i. The reports on economic and social feasibility studies which should be prepared prior to constructing this bus stand had not been made available to Audit. As such, the expected objectives of the said project could not be identified in audit.
- ii. The said bus stand had been constructed without an access road and without vesting of lands for the access road, in an area out of the way from the Badulla – Mahiyangana Road, which is the main road running across the Meegahakiwula town. As such, the building had not been utilized from 24 April 2017, the date of handing over to the Pradeshiya Sabha up to now.
- iii. It was observed that the utilization of the bus stand remains uncertain due to the unavailability of provision in the Sabha for constructing the access road and failure in collecting funds from external parties by the date of audit as well.
- iv. It was observed that the road gets blocked due to parking of buses on either side of the road as a result of failure in opening the bus stand.
- v. It was observed that the expected revenue had been deprived of to the Sabha due to inability of leasing out the proposed stalls.
- vi. It was observed that there was no place for passengers to wait safely for a bus, to commence travelling and for travelling to destinations proposed to reach across the bus stand due to inability of utilizing this bus stand.

(g) Kirama Bus Stand

This building comprising the ground floor with the bus stand and 5 stalls and the upper floor with a hall, of which constructions were carried out by spending a sum of Rs.31.11 million, had been opened to the public on 02 January 2018 after

completion of works and handing over on 23 March 2016 to the Pradeshiya Sabha.



- i. The reports on economic and social feasibility studies which should be prepared prior to constructing this bus stand had not been made available to Audit. As such, the expected objectives of the said project could not be identified in audit.
- ii. It was observed at the field inspection that there was no requirement of a bus stand with a two storeyed building for the Kirama area which is a rural area belonging to the Katuwana Pradeshiya Sabha and only a bus halt was needed.
- iii. The purpose of constructing the upper floor of the bus stand comprising a two storeyed building was not clear and it had not been utilized for any purpose since 23 March 2016, the day it was completed and handed over.
- iv. An opportunity had been given to a resident of the area to construct a stall adjoining the bus stand without a plan, without leasing out the 05 stalls on the ground floor proposed for leasing out.
- v. The building had been constructed on a land belonging to the Land Reform Commission and action had not been taken either to confirm or to clear the title of the land before construction and the Land Reform Commission had requested an assessment value of Rs.27.5 million from the Pradeshiya Sabha.
- vi. As the complete construction had remained idle, all electrical fittings had been detached and it was observed that the lamp posts installed for elegance had collapsed and had been subjected to destruction.

(h) Lankapura Bus Stand

This bus stand constructed and completed at a cost of Rs.11.33 million had been handed over to the Pradeshiya Sabha on 03 October 2016 and opened to the public on 08 February 2017.



Even though the bus stand had been opened for the public on 08 February 2017, it was observed that the said bus stand had remained idle even by 30 October 2019 due to non-arrival of buses.

(i) Multipurpose Building at Imbulpe

This multipurpose building of which constructions were completed on 25 September 2016 at a cost of Rs.34.08 million with a plan to use for the library, pre-school, health centre, Ayurveda centre and the maternity clinic and the internal road had been opened for the public on 03 January 2017.

The said building located at a place where public transport is not available and at a distance of 2 km from the main road, has not been utilized so far for any purpose whatsoever. Even though it was observed that the Pradeshiya Sabha had attempted to lease out the said building located at a scenic spot for a reception hall and a hotel business during the past period, any social benefit whatsoever or improvement in the revenue of the Pradeshiya Sabha had not been received by this project and as such, it was observed as a fruitless construction.

(j). Multipurpose Building at Haldummulla

This building constructed at a cost of Rs.12.46 million with a plan to be use for an auditorium, Ayurveda medical clinic, maternity and child clinic, had been handed over to the Pradeshiya Sabha on 25 November 2014.

- i. It had been planned to provide service to 200 mothers and 150 children by the maternity and child clinic respectively and to 1,200 persons by the Ayurveda clinic per year and the annual benefit thereof had been estimated as Rs.710,000. However, it was observed that as the maternity and child clinics had not been conducted, the expected benefits could not be achieved.
- ii. An annual revenue of Rs.780,000 had been expected by giving the reception hall for weddings on hire and renting out rooms for tourists and it was observed that only a revenue of Rs. 15,238 had been earned by giving the reception hall on hire by 30 October 2019.
- iii. As expected targets of revenue and benefits had not been received, it was observed as a fruitless construction.

(k) Sanitation Centres at Ipalogama, Palagala and Thirappane

Sanitation centres at Ipalogama, Palagala and Thirappane had been constructed by spending Rs.9.60 million and out of them, Ipalogama sanitation centre had remained idle due to lack of water and the sanitation centre constructed at Andiyagala area belonging to the Palagala Pradeshiya Sabha had remained idle due to inadequate demand for using it.

3.3.2.2 Underutilized Sub-Projects

Twelve multipurpose buildings, a library and 03 weekly fairs constructed at a cost of Rs.513.73 million, Rs.18.90 million and Rs.105.06 million respectively had remained underutilized due to various reasons. Details are given below.

(a) Multipurpose Building at Rambewa

This building of which constructions were completed on 15 March 2015 at a cost of Rs.28.00 million with a plan to be used for the auditorium and the library, had been opened to the public on 15 May 2015.

- i. The said building had remained underutilized and a monthly revenue of Rs.310,000 had been expected by giving the auditorium on hire. However, according to the information made available to Audit, the total revenue received from 15 May 2015, the date of opening to the public, to 31 October 2019, amounted to Rs.52,500 and thus, the average monthly revenue from rentals of the auditorium amounted to Rs.1,010. As such, it was observed that the revenue to be targeted by constructing the auditorium could not be achieved.
- ii. It had been expected to call for 500 reader memberships and to earn Rs.12,500 therefrom by maintaining a library and according to the information made available to Audit, the average monthly revenue from rental earned from the library amounted to Rs.816 and thus, it was observed that the revenue targeted could not be achieved. The membership for children and adults of the library stood at 76 and 122 respectively as at 31 October 2019 and the number of daily readers had also decreased, thus failure in reaching the expected level of use of the library. Accordingly, it is observed that the project had been planned without identifying due requirement.
- iii. As the buildings of that nature are not in this area, other Government institutions, business community as well as tourists had expected that benefits would be indirectly accrued by them and the Pradeshiya Sabha by utilizing it. However, the said building had not been used in such a way.
- iv. Even though this building had been constructed with the intention of strengthening the financial position of the Pradeshiya Sabha, adequate revenue at least to cover the amount spent for daily maintenance of the building, is not received. As such, it was observed that this project had caused to weaken the financial position of the Pradeshiya Sabha.

(b) Multipurpose Building at Thirappane

This building of which constructions were completed on 06 June 2016 at a cost of Rs.42.51 million with a plan to use for an auditorium, an exhibition hall, a canteen and a meeting room, had been opened to the public on 14 July 2017.

- i. Even though $\frac{1}{4}$ of the space of the building had been reserved for the medical clinic, the said space had remained idle even by 31 October 2019 and only the library located on the ground floor had been operative.
- ii. It had been expected to conduct various social activities in the auditorium located on the upper floor and thereby, a monthly revenue of Rs.310,000 and a monthly revenue from stalls amounting to Rs.30,000 were expected . The total revenue received from 14 July 2017, the date of opening, up to now, had been Rs.57,000, thus resulting in an average monthly revenue of Rs.2,280. As such, the financial position of the Pradeshiya Sabha had dropped even less than the existing level due to failure to cover at least the expenditure on cleaning and maintenance of the building.

(c) Multipurpose Building of the Nawula Pradeshiya Sabha

This building constructed at a cost of Rs.50.77 million with a plan to use for the exhibition and training centre, Ayurveda centre, Western Medical centre, community centre, library and the assembly hall, had been handed over to the Pradeshiya Sabha on 03 January 2017.

Even though the average benefit to be reaped per year from this building had been estimated as Rs.11,108,438, the said building had remained fully idle up to 16 August 2018. Thereafter, this building had not been used for any purpose whatsoever except for the assembly hall and as the office, thus observing it as an underutilized asset.

(d) Multipurpose Building of the Minipe Pradeshiya Sabha

This building constructed at a cost of Rs.62.35 million with a plan to use for the office of the Sabha, health and Ayurveda centre and maternity clinic, had been handed over to the Pradeshiya Sabha on 05 April 2017.

The maternity clinic is held in the building located at the Office of the Regional Director of Health Services and the Ayurveda centre is held in a building owned by the Pradeshiya Sabha. As such, it was observed that the areas of buildings reserved for those purposes had remained underutilized.

(e) Multipurpose Buildings of Abanganga Korale, Gangawata Korale and Thumpane Pradeshiya Sabhas

Pradeshiya Sabha -----	Expenditure (Rs.Millions) -----	Date of Completion and Handing Over -----	Date of Opening -----
Abanganga Korale	44.99	2015.12.30	2016.03.03
Gangawata Korale (Gurudeniya and Thenne Kumbura)	42.98	2015.12.09	2015.12.12
Thumpane	58.50	2015.11.18	2015.11.18

It was observed that those multipurpose buildings had remained underutilized without receiving benefits expected from assembly halls.

(f) Multipurpose Buildings at Biyagama and Madurawala

It was observed that the auditorium located on the upper floor of the three storied multipurpose building at Mawaramandiya, constructed for the Biyagama Pradeshiya Sabha at a cost of Rs.43.42 million with a plan to use for the pre-school, library and the auditorium, had remained underutilized and it was further observed that objectives expected from the building had not been achieved.

Moreover, it was observed that the auditorium of the multipurpose building constructed for the Madurawala Pradeshiya Sabha at a cost of Rs.20.62 million with a plan to use for the auditorium, Ayurveda medical centre and the maternity clinic, had remained underutilized.

(g) Multipurpose Building at Walallawita

It was observed that the auditorium of this building constructed at a cost of Rs.23.84 million with a plan to use for the pre-school, library and the auditorium had remained underutilized due to holding only two meetings from 17 February 2017, the date of opening up to now.

(h) Ragala Multipurpose Building of the Walapane Pradeshiya Sabha

This building constructed at a cost of Rs.46.71 million with a plan to use the basement for holding a fair and the ground floor for an assembly hall, had been handed over to the Pradeshiya Sabha on 22 June 2016 and opened to the public on 07 April 2017.

- i. The extent of the basement without adequate space for a weekly fair is 521 square metres and the building of 575 square metres in extent located on the ground floor in close proximity to the above building had remained underutilized up to now.
- ii. It was observed that as the entire building has been constructed to the design of a tourist resort, it is not suitable for holding a fair.
- iii. Equipment of the assembly hall too had remained idle due to non-utilization of them.

(i) Multipurpose Building at Nagoda

This building constructed at a cost of Rs.49.04 million with a plan to use for the library, Ayurveda centre, pre-school, auditorium and the maternity clinic and handed over to the Nagoda Pradeshiya Sabha on 09 March 2016, had been opened to the public on 02 November 2017.

- i. The public library which was functioned since the year 1973, the year of commencement, had been shifted to this building and the auditorium had been used only for a few days. As purposes for which other spaces of the building, were reserved, are carried out at other places, it was observed that those spaces had remained underutilized.

(j) Library Building at Kalpitiya

The Norochcholai library building had been constructed by the Pura Neguma Project at a cost of Rs.18.90 million for the Kalpitiya Pradeshiya Sabha.



- i. The library building had been handed over to the Kalpitiya Pradeshiya Sabha on 27 February 2017 by the Pura Neguma Project. However, it was observed that after remaining underutilized over a period of 1½ years, it had been opened to the public on 07 October 2018.
- ii. Even though a building of 5,034 square feet in extent had been constructed for the library, it was observed that an area of 1,859 square feet representing 36.93 per cent of the building had remained underutilized even by 31 October 2019, the date of audit.
- iii. Even though it was expected at the feasibility study that benefits would be accrued by claiming the membership by about 469 persons, without considering the interest of the people of the area, it was observed that only 159 persons had gained the membership even by 18 September 2019.
- iv. Even though an annual revenue of Rs.399,000 was expected to be earned by the Pradeshiya Sabha from the library, it was observed at the audit that only a revenue of Rs.50 had been received by 30 June 2019 from the date of opening of the library, due to lack of readers in using the library.
- v. There is a severe issue on drinking water at Kalpitiya area and persons of that area purchase water from private businessmen and in the selection of development projects under the Pura Neguma Project, it was observed that

projects had been selected without proper study on requirements of the area.

(k) Tissamaharama Weekly Fair

The Pradeshiya Sabha had failed to lease out the fish market located within close proximity to the Tissamaharama weekly fair which was constructed at a cost of Rs.48.48 million. As such, it was observed that the fish market of the weekly fair had remained underutilized.

(l) Sooriyawewa Weekly Fair

The fish market which was constructed at a cost of Rs.44.88 million and handed over to the Sooriyawewa Pradeshiya Sabha on 15 June 2016, had remained underutilized up to 25 May 2019. Even though the entire building has been leased out by now, it was observed that the lessee carries out his business on either sides of the road and outdoors without using the building.

The weekly fair consists of a fish market and it had become a hindrance to consumers and to activities of traders due to failure in providing necessary facilities for drainage of rain water.



(m). Weekly Fair Building at Rattota

The two storied building constructed for the weekly fair at a cost of Rs.12.06 million and handed over to the Rattota Pradeshiya Sabha on 17 March 2015, had remained idle up to 08 April 2019 and the library of this Pradeshiya Sabha has been established on the upper floor of the building on 08 April 2019. As it is an area where a weekly fair is not held, there was no

requirement of a weekly fair. As such, the Pradeshiya Sabha had spent a sum of Rs.1.5 million for preparing the ground floor remained underutilized as stalls and for leasing them out. Nevertheless, it was observed that those stalls had remained underutilized up to 31 December 2020.

3.3.2.3 Sub-projects not accrued expected Benefits

It was observed at the audit test checks that 16 out of sub-projects constructed and handed over to the local authorities under this Project, had failed to accrue expected benefits. Details are given below.

(a) Bus Stand at Mawathagama

This bus stand which had been planned to be constructed with the facility services building and the public lavatory system, had been constructed at a cost of Rs.43.79 million and handed over to the Mawathagama Pradeshiya Sabha on 02 December 2016.



- i. This bus stand had remained idle up to 14 October 2018 without opening to the public.
- ii. Even though the annual revenue expected from the bus stand premises except for rentals from stalls amounted to Rs.5.70 million, the annual revenue by now amounts to Rs.1.28 million.
- iii. It was observed that there were no necessary facilities for passengers to get on and off from buses safely.

- iv. Construction of the canopy required for sheltering the passengers at the bus stand has been delayed due to incompleteness of construction of the upper floor.



(b) Water Supply Scheme at Ududumbara

This drinking water project constructed at a cost of Rs.41.63 million by using water flowing through natural fountains of the Knuckles Conservation Forest had been handed over to the Pradeshiya Sabha on 18 January 2018 with deficiencies in constructions.

- i. It had been expected to supply purified water for 400 families under this project and 193 water connections had been provided. Out of that, 123 are families who obtained water connections under the existing water supply scheme and the number of new water connections provided under this project was only 70. As such, objectives expected from the project had not been achieved.
- ii. Even though it had been expected to increase the revenue of the Pradeshiya Sabha, a considerable increase in the revenue from water charges was not observed.
- iii. Even though the high quality water should be supplied by testing the quality of water periodically, a laboratory test had not been carried out for water of this project.

(c) Water Supply Scheme at Rattota

Even though the Water Supply Scheme at Polwattakanda implemented in the area of the authority of Rattota Pradeshiya Sabha at a cost of Rs.27.78 million had been handed over on 30 June 2017, according to the information received

from the Pradeshiya Sabha, providing water to the public for their usage and charges for water had been delayed up to July 2018.

- i. Even though it had been expected to distribute 58,400 m³ of water for the year at a rate of 160m³ per day, the volume of water supplied from July 2018 up to June 2019 had been 22,185m³, thus resulting in undersupply of water by 36,215m³. As such, this project had failed to supply the expected volume of water and it was further observed that only 38 per cent of the expected capacity had been fulfilled.
- ii. According to the information obtained from the Pradeshiya Sabha, it was observed that there was no water source adequate for supplying 58,400m³ of water, thus observing that the project had been planned without carrying out a proper study.
- iii. Even though another community water project was implemented in this area, that project had failed to meet the water requirement of residents of the area and as a result, this new water scheme had to be implemented. However, the said new project had also failed to meet the water requirement of residents and it was observed that objectives expected by the project could not be achieved.
- iv. According to the information obtained from the Pradeshiya Sabha, it was observed that water to the expected quantity and quality could not be supplied due to improper filtration of water through water tank filters.

(d) Water Supply Project at Laggala, Pallegama

This project constructed and completed at a cost of Rs.58.57 million had been handed over to the Pradeshiya Sabha on 25 May 2017.

It had been planned to supply purified water for 328 families under this project and the number of families expected to be provided with water connections at the inception stood at 250. However, number of water connections already provided stood at 146 and thus, targets expected by the project could not be fully achieved.

(e) Water Supply Project at Rajanganaya

This water supply project had been implemented at a cost of Rs.18.86 million by using a well excavated under the Deyata Kirula Programme and it had been

handed over to the Pradeshiya Sabha on 04 July 2016 after completion of due works.

- i Even though the people who get water from the Rajanganaya Tank for agricultural purposes, use the same water for day-to-day activities, this project was implemented with the intention of providing water for 200 families residing in villages including the Rajanganaya town due to difficulties faced in supplying water in the dry season. However, water supplied by the project was not suitable for drinking and as such, the objective of supply of drinking water had not been achieved.
- ii. Even though a revenue of about Rs.1.37 million had been expected per year as water charges during first five years after handing over the project to the Pradeshiya Sabha, according to the information made available to Audit, the total revenue received from the date of commencement of the project up to now had been Rs.0.52 million.

(f) Multipurpose Building at Polpithigama

The multipurpose building with the health centre, day care centre and an auditorium constructed by spending Rs.24.04 million had been handed over to the Predeshiya Sabha on 27 October 2017.



Auditorium and the area partitioned for the day care centre of the building are used as the office and the stores of the Pradeshiya Sabha respectively and action had been taken to lease out the area partitioned for the health clinic. Accordingly, it was observed that the entire building had been utilized contrary to the expected objectives.

(g) Multipurpose Building at Galenbindunuwewa

This multipurpose building constructed at a cost of Rs.34.80 million with a plan to use for the library, auditorium and pre-school, had been handed over to the Pradeshiya Sabha on 21 December 2017 and opened to the public on the same day.

- i. Even though the Pradeshiya Sabha had expected to earn a revenue of Rs.210,000 per month by giving the auditorium of this multipurpose building on hire, the average of the actual revenue of preceding months amounted to Rs.1,091.
- ii. In the planning of the multipurpose building, it had been expected to conduct a pre-school, day care centre and a clinic. However, it had failed to earn revenue of Rs.54,000, Rs.48,000 and Rs.240,000 expected annually without using for the said purposes respectively and to provide benefits expected from the project by the people of the area.

(h) Multipurpose Building at Padawiya

This multipurpose building constructed at a cost of Rs.17.08 million with a plan to use for the auditorium, office of the Sabha and the library, had been handed over to the Pradeshiya Sabha on 15 May 2015 and opened to the public on the same day.

- i. In the planning of the building according to the report on feasibility study, the office of the Sabha and the library had been included therein. However, in carrying out constructions, only an auditorium had been constructed and it was observed that revenue targets and social benefits expected from the project are not received.

- ii. A revenue of Rs.160,000 had been expected per month by giving the auditorium on hire and according to the information made available to Audit, the average monthly revenue from rentals obtained from the auditorium amounted to Rs.10,322.

(i) Multipurpose Building at Horowpathana

This building constructed at a cost of Rs.39.94 million with a plan to use for the assembly hall, pre-school, day care centre and the medical clinic, had been handed over to the Pradeshiya Sabha on 12 August 2015.

- i. An area of 661.56 square feet representing 23.91 per cent of the building had remained idle due to failure in conducting the medical clinic as expected and it was observed that the annual revenue of Rs.600,000 expected to be obtained therefrom had been lost.
- ii. A revenue of Rs.360,000 had been expected per month by giving the assembly hall on hire and according to the information made available to Audit, the average monthly revenue from rentals received therefrom amounted to Rs.3,250.
- iii. As this building is located in close proximity to the regional hospital at Horowpathana, it was observed that it had been planned without identifying the requirement of construction for the medical clinic.

(j) Multipurpose Building at Ipalogama

This building constructed and completed at a cost of Rs.40.79 million on 01 March 2016 with a plan to use for the auditorium, day care centre, pre-school and the medical clinic, had been opened to the public on 29 June 2016.

A monthly revenue of Rs.310,000 had been expected from the auditorium and according to the information made available to Audit, the average monthly revenue from rentals amounted to Rs.5,335.

(k) Multipurpose Building at Welivitiya Divithura

This building constructed at a cost of Rs.33.45 million with a plan to use for the library, medical clinic, pre-school and the auditorium, had been handed over to the Pradeshiya Sabha on 07 April 2016 and opened to the public on 28 August 2016.

The pre-school is not conducted and information of the Pradeshiya Sabha revealed that the area reserved for the pre-school is used for activities of the auditorium. Even though the rental per day for the auditorium had been estimated as Rs.3,000 and the monthly revenue of Rs.30,000 had been expected accordingly, the average monthly revenue from rentals amounted to Rs.2,819 according to the revenue received from the date of opening up to now.

(l) Multipurpose Buildings constructed for Pradeshiya Sabhas at Karandeniya, Thawalama, Pitabeddara, Kotapola and Imaduwa

Pradeshiya Sabha	Expenditure (Rs. Millions)	Date of completion and handing over	Date of opening
Karandeniya	25.45	2015.05.12	2015.05.12
Thawalama	59.10	2017.02.28	2017.09.14
Pitabeddara	46.01	2016.08.11	2017.07.10
Kotapola	44.92	2016.07.06	2017.07.10
Imaduwa	36.54	2017.03.06	2017.06.28

Even though service of private construction consultancy firms had been obtained for designing and planning purposes before commencement of the said projects, no reports on feasibility study whatsoever to be given by those institutions, had been made available to Audit.

According to the information presented by the aforesaid Pradeshiya Sabhas, it was observed that the auditoriums are not used for purposes and the revenue therefrom as well is not received in an adequate manner and buildings had not been used for expected purposes such as libraries, day care centres and health clinics.

(m) Multipurpose Building at Bulathkohupitiya

This building constructed and completed at a cost of Rs.26.33 million on 31 March 2016 with a plan to use for the library, health centre, Ayurveda centre, assembly hall and the public lavatory system, had been handed over to the Pradeshiya Sabha and opened to the public on 23 February 2017.

An auditorium of 249.78 square metres in extent had been constructed on first and second floors of this building with a total area of 335.06 square metres and even though a monthly revenue from rentals of Rs.30,000 at a rate of Rs.3,000 per day had been expected, it had remained underutilized. According to books and records of the Pradeshiya Sabha, the total revenue received from 23 February 2017, the date of opening to the public to 30 October 2019 had been Rs.18,000. As such, it was observed that no contribution whatsoever had been made by constructing this building to improve the financial position of the Pradeshiya Sabha and when comparing the expenditure on maintenance of the building, it was charged on the Pradeshiya Sabha.

(n) Multipurpose Building at Ayagama

This building with the bus stand and the public lavatory system had been constructed and completed at a cost of Rs.30.58 million and handed over to the Pradeshiya Sabha on 26 April 2016.

It had been planned to use this building for the bus stand, canteen, youth centre, health centre, book shop, library, pharmacy, information centre and the sanitation centre. However, 05 rooms including the sanitation centre of this building are used for the Ayagama Police Station as the said Police Station had been destroyed due to a landslide occurred on 25 May 2017. Even though the bus stand was maintained under the said situation, it was observed that objectives expected from the building could not be achieved.

(o) Crematorium at Hettipola

A crematorium has been constructed at a cost of Rs.16.49 million at Hettipola which is a depopulated and remote area where low income families are residing

and two dead bodies can be cremated therein per day. It was decided to charge a fee of Rs.7,000 therefor within the area of authority of the Pradeshiya Sabha and Rs.8,000 out of the area of authority of the Pradeshiya Sabha. Even though the crematorium was commenced on 09 March 2016 after completing and handing over to the Pradeshiya Sabha, there was no adequate demand for the crematorium as burial of dead bodies could be done in the public cemetery at a low cost. As such, it was observed that it had become a charge on the Pradeshiya Sabha instead of increasing the revenue of the Pradeshiya Sabha. Details are given below.

Year	Revenue (Rs.)	Cost of Maintenance except for Salaries and Allowances of Employees (Rs.)
-----	-----	-----
2017	41,000	70,130
2018	44,000	27,750
2019	54,000	220,000

3.3.2.4 Multipurpose Buildings used for Offices contrary to the expected Objective

It was confirmed in audit test checks that multipurpose buildings, constructed with a plan to use for maternity clinics, medical clinics, pre-schools, day care centres, libraries, auditoriums etc, are used for offices of Pradeshiya Sabhas instead of using for expected activities. Details are given below.

(a) Multipurpose Building at Udubaddawa

It had been planned to use the first floor for the community hall and the ground floor for Ayurveda and Western Medical clinics, maternity clinics and day care centres of this building constructed at a cost of Rs.43.63 million.



- i. The project office had handed over the said building to the Pradeshiya Sabha on 08 January 2016. It was observed that this building is used as the office of the Sabha from 12 June 2017 due to dilapidation of the building in which the Pradeshiya Sabha was functioned.
- ii. Ayurveda and Western medical clinic, day care centre and maternity clinic etc, had not been established in the building.
- iii. The ground floor partitioned for the Ayurveda and Western Medical clinic, maternity clinic and the day care centre had been used for the office. As such, it was observed that expected services are not rendered for the public by the office due to weaknesses in the management of office and employees as a result of lack of proper internal plan for an office.
- iv. Moreover, it was observed in audit that the report on feasibility study had been prepared by preparing estimates and over assessing of benefits so as to receive an annual revenue of Rs.3,460,000 at a rate of Rs.20,600 per day as financial benefits by giving the community hall on hire, and it was observed in audit that no revenue had been received from the community hall, despite charging a fee of Rs.2,500 per day.

(b) Multipurpose Building at Pathahewaheta

This building constructed at a cost of Rs.46.72 million with a plan to use for the office of the Sabha, library and community centre, had been handed over to the Pradeshiya Sabha on 07 June 2017 and opened to the public on 28 October 2017. However, it had been used only for the office of the Sabha.

3.4 Procurement Process

The Two Envelope System specified in the Procurement Guidelines had been used for selecting contractors for sub-project constructions implemented under this project. Consultancy firms had been selected on Quality and Cost-Based Selection (QCBS) specified in the Procurement Guidelines of the Asian Development Bank for studying on planning, designing and construction.

The number of quotations received for contracts revealed that most contractors of constructions had lost opportunity to submit quotations for contracts due to use of the Two Envelope System for construction contracts of this project which was commenced with an initial provision of Rs.50 million per Pradeshiya Sabha. Inability of qualified contractors who are registered in the Construction Industry Development Authority to provide information on qualifications of contractors to be submitted in the first envelope, had been the reason for the said situation and as such, the receipt of competitive bids for contracts, could not be confirmed in audit. Those contracts could not be awarded under competitive bids due to selection of consultancy firms on the basis of Quality and Cost-Based Selection (QCBS). Accordingly, in the selection of contractors and consultancy firms for the Pura Neguma Project, financial position had not been taken into consideration.

4. Recommendations

- i. Development plans should be prepared at the levels of Local Authorities and Provincial Councils and the requirement thereof should be prioritized. Providing financial facilities by development projects of the Central Government for the implementation of development projects which cannot be executed by the relevant Local Authority or the Provincial Council, is more effective.
- ii. Loans should be used only for the implementation of sub-projects from which an optimal success and a maximum benefit could be achieved in relation to the money invested, by carrying out feasibility studies using accurate data.
- iii. In development activities carried out by the Central Government obtaining loans, those should be invested only for compulsory duties that should be discharged by Pradeshiya Sabhas. Moreover, Pradeshiya Sabhas should be encouraged to obtain domestic loan facilities and loans from the development fund and

commercial banks for raising funds necessary for investing in duties not compulsory despite the authority to discharge them and to repay the said loan installments.

- iv Not only planning and designing but also detailed project reports relating to development projects selected, had been prepared in consultation with private consultancy firms and as such, those consultants who have a responsibility on the ability of accruing expected benefits from sub-projects, shall be subjected to a guarantee period.
- v. The possibility of utilization of buildings abandoned for other effective purposes should be looked into.

Sgd./W.P.C. Wickramaratne
Auditor General

W.P.C. Wickramaratne
Auditor General

02 June 2022

B. Overall Project Implementation Plan

DESCRIPTION	2011			2012			2013			2014			2015		
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Component 1: Local Government Infrastructure and Service Delivery Improvement															
1.1 Planning and priority subproject identification (assisted by PPTA)															
1.2 Review of subprojects by PMU and SPCUs															
1.3 Recruitment of design and supervision consultants															
1.4 Preparation of feasibility studies, detailed design and bid documents of subprojects															
1.5 Bidding and contract award for civil works and equipment															
1.6 Construction and procurement of equipment															
1.7 Operation and maintenance support															
Component 2: Local Government Policy Reform and Capacity Building Support															
2.1 Recruitment of consultants for data updates and entry for local authorities															
2.2 Data updates and entry															
2.3 Bidding for IT system development (hardware and software)															
2.4 IT system development															
2.5 Implementation of the new system and business processes															
2.6 Evaluation of implementation of the new system and business processes															
CDTA <i>Capacity Building Technical Assistance</i>															
Recruitment of CDTA consultants															
Review of existing tax, licensing and approval systems and processes															
Review of software developed by ICTA <i>Institute of Computer</i>															
Preparation for the two packages under Component 2															
Review and approval of the proposed changes by the government															
Drafting by-laws and regulations for streamlining and improvement															
Review and approval of the proposed by-laws and regulations by the government															
Support for implementation of the new system and business processes															
Component 3: Project Management and Administration Support															
3.1 Assignment of core staff in PMU and SPCUs															
3.2 PMU and SPCUs fully staffed															
3.3 Recruitment of project management consultant (assisted by PPTA)															
3.4 Reform plan development (assisted by PPTA)															
3.5 Review of reform plans by PMU and SPCUs															
3.6 Development of project performance management system															
3.7 Project management and administration															
3.8 Project-specific evaluation survey															
3.9 Reform plan implementation and monitoring															
Implementation of Gender Action Plan															

ICTA = Information & Communication Technology Agency, MLGPC = Ministry of Local Government and Provincial Councils, PMU = project management unit, PPTA = project preparatory technical assistance, SPCU = subproject coordination unit

Sub-projects uncompleted even by 31 December 2016

S.N.	Local Authority	Sub-project	Value (Rs.Millions)	Date of completing	Delay (days)
1	Wellawayaya P. S.	Crematorium	11.72	05 January 2017	5
2	Siyambalanduwa P.S.	Bus Stand & Lavatory System	6.37	08 January 2017	8
3	Kandaketiya P.S.	Construction of office of the Pradeshiya Sabha & weekly fair	25.45	10 January 2017	10
4	Hasalaka Minipe P.S.	Construction of the multipurpose building	62.35	31 January 2017	31
5	Lunugala P.S.	Construction of office of the Pradeshiya Sabha and the multipurpose building	36.97	10 February 2017	41
6	Welioya, Balangoda Ratnapura P. S.	Construction of the multipurpose building	30.01	13 February 2017	44
7	Palmadulla Ratnapura P.S.	Construction of weekly fair with the multipurpose building	44.92	13 February 2017	44
8	Thanamalwila P.S.	Construction of office of the Pradeshiya Sabha & weekly fair	36.17	25 February 2017	56
9	Yatiantota Kegalle P.S.	Construction of weekly fair & public lavatory system	36.60	25 February 2017	56
10	Galaha Pathahewaheta P.S.	Construction of the multipurpose building with the office	46.72	30 March 2017	61

11	Ududumbara P.S.	Water Supply Project	41.63	30 March 2017	61
12	Handungamuwa Wilgamuwa P.S.	Water Supply Project	61.00	31 March 2017	62
13	Mahiyanganaya P.S.	Purifying centre of the Water Supply Project	46.25	30 May 2017	150
14	Mahiyanganaya P.S.	Water pipe system of the Water Supply Project	45.74	30 May 2017	150
15	Udapalatha P.S.	Construction of location for water intake and water distribution system	183.53	30 June 2017	180
16	Mahawa Polpithigama P.S.	Construction of the Water Supply Project	34.83	30 June 2017	180
17	Wanathawilluwa Puttalam P.S.	Construction of the Water Supply Project	57.94	30 June 2017	180
18	Medagama P.S.	Development of weekly fair and the side wall	15.52	30 June 2017	180
19	Bulnewa Galnewa P.S.	Construction of the Water Supply Project	20.02	12 January 2018	377

E. Detailed Cost Estimates by Year

		(\$ million)				
Item	Total Cost	Year 1	Year 2	Year 3	Year 4	
A. Investment Costs	40.14	-	5.02	12.04	23.08	
1 Civil Works and Equipment	0.40	0.10	0.10	0.10	0.10	
2 Environment and Social Mitigation	1.39	0.13	0.24	0.49	0.53	
3 System Development	6.58	1.02	1.76	1.90	1.90	
4 Consultants	4.29	0.66	1.15	1.24	1.24	
a. Design and Supervision	2.29	0.35	0.62	0.66	0.66	
b. Project Management and Capacity Development	7.54	0.30	1.13	2.22	3.88	
5 Taxes	56.05	1.54	8.26	16.76	29.49	
Subtotal (A)						
B. Incremental Recurrent Costs	4.18	1.05	1.05	1.05	1.05	
1 Project Management and Administration	0.08	0.02	0.02	0.02	0.02	
2 Taxes	4.26	1.07	1.07	1.07	1.07	
Subtotal (B)						
Total Base Cost	60.31	2.61	9.32	17.82	30.56	
C. Contingencies	7.45	0.08	0.88	2.15	4.34	
D. Financing Charges During Implementation	1.01	0.02	0.11	0.29	0.59	
Total Project Cost (A+B+C+D)	68.77	2.70	10.32	20.26	35.49	
% Total Project Cost	100.00%	3.93%	15.00%	29.46%	51.60%	

Note: Numbers may not sum precisely because of rounding