

Kelaniya Pradeshiya Sabha

Gampaha District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 22 March 2013 and the financial statements for the preceding year had been presented on 29 March 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 15 October 2013.

1.2 Opinion

In view of the comments and observations appearing in my report, I do not express an opinion on the financial statements of the Kelaniya Pradeshiya Sabha for the year ended 31 December 2012 presented to audit.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

- (a.) The value of 07 fixed deposits amounting to Rs.537,622 observed at the physical verification had been omitted from the accounts.
- (b.) Capital aid receivable as at end of the year under review under Provincial Council Decentralized Provisions and revenue receivable had been understated by Rs.2,973,153.
- (c.) The sum of Rs.1,048,053 remained unsettled as at 31 December 2012 from the 20% advance given for the Project for Construction of the Nursery School Building, Hunupitiya had not been shown under pre-payments.

1.3.2 Lack of Evidence for Audit

Transactions totaling Rs.75,626,516 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2012 amounted to Rs.36,946,182 as compared with the excess of revenue over recurrent expenditure amounting to Rs.7,300,837 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue, actual revenue and the arrears of revenue in respect of the year under review as presented by the Chairman is shown below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	50,167	44,501	52,449
(ii.) Lease Rent	11,022	10,814	4,070
(iii.) Licence Fees	1,015	1,080	648
(iv.) Other revenue	-	-	693

The progress of the recovery of revenue in arrears was 49% as per the above information.

2.2.2 Rates ad Taxes

The balance of the rates and taxes in arrears as at end of the year under review amounted to Rs.51,647,455 and the total of the balances of rates and taxes in arrears for over one year amounted to Rs.30,285,543.

2.2.3 Other Revenue

- (a.) The balance of the other revenue in arrears as at end of the year under review amounted Rs.7,685,708 and the revenue in arrears for over 01 year amounted to Rs.5,280,206. Of this, the balances over 05 years amounted to Rs.2,919,337.
- (b.) Ten stalls of the upper floor of the two storied Trade Complex at the Kelaniya Bus Stand had remained closed since 2008 up to 10 July 2013; the date of audit examination.
- (c.) The lessee had abandoned the Reception Hall established in the Pradeshiya Sabha premises since 01 March 2009 and the Sabha had not been taken action to call for fresh tenders and to lease the stall, although 04 years had lapsed by 10 July 2013; the date of audit examination.

2.2.4 Lease Rent of Stalls

- (a.) 24 stalls of the upper floor and 17 stalls of the ground floor of the 02 storied Trade Complex at Kelaniya Bus Stand had been leased out without following the provisions of the Government Procurement Guidelines or calling for tenders in term of Rule No.178(9)(4) of the Pradeshiya Sabha (Financial and Administrative) Rules -1988.
- (b.) The lessee had constructed 28 Nos. of stalls without authority contravening the provisions of Paragraph 06 and 07 of the lease agreement for lease of stalls constructed on the land adjoining to the drain of the North boundary of the Kiribathgoda Bus Stand for 03 years from 2007 to 2010.

The Works, Superintendent of the Sabha had assessed the above 28 stalls at Rs.8,741,517 and the Sabha had decided to set off the sum of Rs.1,064,860 due from the lessee for the above. Although rent should be recovered for the stalls from 01 November 2010; the rent had not been recovered accordingly. A formal procedure had not been prepared to recover rent based on an assessment done by an accepted professional assessor.

2.3 Operating Inefficiencies

- (a.) According to the Goods Verification Report of the Public Library, Kelaniya as at 31 December 2012, a shortage of 1534 books valued at Rs.94,277 had been reported at the Library. No action had been taken in this connection even by July 2013; the time of audit examination.
- (b.) The two storied Trade Complex at the Kelaniya Bus Stand had been constructed without obtaining a clear title for the ownership of the land before construction. The key-money obtained from 30 stall amounted to Rs.18,505,785.

2.4 Contract Administration

2.4.1 Construction of the Hunupitiya Nursery School

The contract for construction of the Hunupitiya Nursery School had been awarded for Rs.9,981,453 and a sum of Rs.7,409,934 had been paid to the contractor for this construction during the year under review.

The following observations are made.

- (a.) The project had not been completed even by 23 July 2013; the date of audit examination. It was observed that 15 months had been lapsed since the stoppage of the construction works and that the building is exposed to rain and sun as the roof had not been done and the walls had not been plastered according to the required standards.
- (b.) The consultancy firm for this construction is the National Building Research Institute and consultancy fees amounting to Rs.222,768 had been paid in this connection. Eventhough the Sabha had informed the defects in construction works to the Consultancy firm on 19 March 2013; the said Institution had not taken action in this regard.
- (c.) Although the performance bond had been expired on 03 October 2011, no extension of the time period had been given.
- (d.) Action had not been taken to get settle the sum of Rs.1,048,053 out of the 20% advance paid on 05 October 2010, even though a period over 02 years had been lapsed.

2.4.2 Construction of the Hunupitiya Shopping Complex

The project for the construction of Hunupitiya Shopping Complex had been commenced in October 2009. The tendered amount of this project was Rs.24,036,582 and an expenditure of Rs.19,320,324 had been spent on this from October 2009 to September 2011.

The following observations are made in this connection.

- (a.) The project had not been completed even though over 03 years had been passed as at 23 July 2013; the date of audit examination.
- (b.) Although the period of security bonds had been expired on 16 December 2011, an extension had not been obtained.
- (c.) Although the value of the works completed which had already been mentioned in the 1st and 2nd bills should be deducted from the total value of work done amounting to Rs.10,174,171 while preparing the 3rd bill for this project; only the value of works mentioned in the 2nd bill had been erroneously deducted. Therefore, a sum of Rs.4,073,597 had been over-paid to the contractor. The Sabha had failed to recover the sum of Rs.537,293 further due from the above over-payment of Rs.4,073,597.
- (d.) A sum of Rs.4,807,317 had been paid to the contractor from 14 October 2009 to 17 June 2010 as 20% advances for this Project. Of this amount, only a sum of Rs.2,426,486 had been recovered by June 2013 and advances to be settled amounted to Rs.2,380,831.
- (e.) The consultancy firm of this project was the National Building Research Institute and consultancy fees amounting to Rs.145,085 had been paid on 31 December 2012. However, due to the Project being delayed for a number of years and the huge expenditure incurred by the Sabha up to date with no proper usage; it cannot

be satisfied in audit on the contribution made by this consultancy service, for the success of the project.

2.5 Hire of Vehicles

The Sabha had paid hire charges amounting to Rs.867,241 in respect of hire of 02 vehicles during the year under review.

The following observations are made in this connection.

- (a.) A formal agreement had not been entered into in respect of hire of vehicles including the minimum distance that should be run for a day.

- (b.) Average performance of the vehicles hired was less such as 5 to 7 kilometers per liter of fuel and an expenditure of Rs.1,653,725 had been incurred on fuel and hire during the year under review.

2.6 Solid Waste Management

A quantity of 30-35 M.Tons of waste is generated daily within the authoritative area of 20.1 square kilometers of the Pradeshiya Sabha and of this the Sabha collects 20-25 M.Tons of waste. The project for construction of the compost yard at Manelgama had been commenced in year 2010 with a view to convert 09 M.Tons of decadent waste out of the collected waste into compost. Accordingly, a sum of Rs.4,627,919 had been spent for this project during the year 2012 as well

The following observations are made.

- (a.) Out of the 20-25 M.Tons of waste collected daily within the area of the Sabha; only 09 M.Tons of decadent waste is used for the compost project. All the remain waste is covered with gravel soil without sorting out the decadent waste and undecadent waste. The Sabha had incurred an expenditure of Rs.10,476,611 during the year under review to supply soil and to level the soil with machines. Therefore, there is a doubt whether the objective of the construction of the compost project is achieved.

- (b.) It is observed that there is a possibility of arising environmental issues due to continuing the system of covering the undecadent waste without sorting out and that the Sabha has the opportunity of earning an income from sale of bottles and plastic materials if they are sorted out.

3. Systems and Controls

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

- (a.) Accounting
- (b.) Revenue Administration
- (c.) Assets Management
- (d.) Contract Administration