

Kelaniya Pradeshiya Sabha

Gampaha District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented for audit on 29 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman on 22 October 2018.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements of the Kelaniya Pradeshiya Sabha give a true and fair view of the financial position 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 Accounting Policies

An accounting policy for accounting fixed assets had not been identified. Fixed assets had not been identified by the minimum value required for accounting them as fixed assets, their nature and their life span. Instead, items possessing small values and items of short life span which cannot be sold and cash realized had been included in the fixed assets account.

1.3.2 Accounting Deficiencies

The following matters were observed.

- (a) The value of five (05) singer sewing machines had not been assessed and brought to account.
- (b) The arrears of rates of the Kiribathgoda base hospital amounting to Rs.187,965 and the erroneous arrears of Rs.78,496 of the pork stall at Thorana Junction had been written off by the decision No.4436 dated 27 December 2017. However, this had not been adjusted in the final accounts.
- (c) The value of 17 items of assets denoted in the register of fixed assets had not been assessed and brought to account.

- (d) The values of three tractors, a trailer and a three wheeler physically verified at the vehicle fleet of the Sabha had not been brought to account.

1.3.3 Unreconciled Accounts

A difference of Rs.410,572,192 existed between the balances of 05 items of accounts shown in the financial statements and the relevant subsidiary registers and reports.

1.3.4 Accounts Receivable and Payable

Accounts Receivable

- (a) Action had not been taken to recover the total balances of pre payments of Rs.8,065,061 made up of Rs.316,847 of 1995 to 2000, Rs.5,451,644 of 2001 to 2005 and Rs.2,296,570 of 2006 to 2010 as per register of pre payments.
- (b) The project retentions totally valued at Rs.242,589 for 2016 had not been obtained from the Kelaniya Divisional Secretariat even as at 06 June 2018.

1.3.5 Lack of necessary documentary Evidence for Audit

Four items of accounts aggregating Rs.767,600 could not be satisfactorily verified in audit due to non rendition of necessary schedules.

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

Instances of non-compliance with laws, rules, regulations and management decisions appear below.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance
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	Rs.	
(a) Section 24 of the Pradeshiya Sabha Act No.15 of 1987	-	Action had not been taken by the Sabhato prepare plans of all highways belonging the Sabha and to publish the list of names in the Gazette so as to acquire ownership.
(b) Financial Regulation 396(d) of the Democratic Socialist Republic of Sri Lanka	47,292	Action had not been taken regarding cheques issued, but not realized over 06 months.

- (c) Finance Circular No.09/2015 of 24 August 2015 of the Chief Secretary of the Western Province - Condemned and unusable vehicles of state institutions should be disposed of and finalized within 03 months. However, 02 old vehicles of the Sabha, the value of which could not be identified as per accounts, had been allowed to get corroded without being disposed of.

1.3.7 Transactions without Authority

School equipment valued at Rs.446,128 had been distributed among 153 children of the staff of the Sabha under the NenaKirana Project without provision being made in the annual budget for 2017, without including in the action plan and without obtaining the approval of the Minister in charge of the subject, Local Government.

2. Financial 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 2017 amounted to Rs.68,430,011 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.66,267,217.

2.2 Financial Control

- (a) Although it is the aim and objective of the Sabha to spend the funds of the Sabha in a planned manner so as to enable the public to obtain the maximum benefit, the sum of Rs.11 million of the Sabha had been invested in 02 fixed deposits at the Peoples' Bank and the Bank of Ceylon without a plan.
- (b) The balances of dishonoured cheques amounting to Rs.614,678 and an unidentified direct credit balance of Rs.562,962 continued to be brought forward in the Current Account No.0000513466 of the Bank of Ceylon since 2014.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2017				2016			
	Estimated Revenue Rs.	Revenue Billed Rs.	Revenue Collected Rs.	Total arrears as at 31 December Rs.	Estimated Revenue Rs.	Revenue Billed Rs.	Revenue Collected Rs.	Total arrears as at 31 December Rs.
Rates and Taxes	53,550,000	54,958,058	62,275,053	25,212,920	63,600,000	72,347,775	79,632,073	32,529,916
Rent	19,717,347	22,671,017	23,325,061	5,127,727	19,047,220	18,398,880	19,396,821	5,781,771
Licence Fees	1,552,500	1,829,128	1,829,128	359,566	2,202,500	1,764,596	1,764,596	359,556
Other Revenue	127,765,500	93,240,090	93,252,090	-	138,905,000	99,680,040	99,680,040	-

2.3.2 Performance in Collection of Revenue

The revenue collected for the year under review amounting to Rs.180.6 million compared with the revenue collected for the previous year amounting to Rs.200.4 million showed a drastic reduction of Rs.19.8 million. Decrease in industrial tax, stamp revenue representing other revenue and the service charges had mainly attributed to the decrease.

2.3.3 Rates and Taxes

- (a) The arrears of rates as at 31 December 2017 as per financial statements amounting to Rs.25,778,228 included Rs.1,028,442 of 5 to 10 years and Rs.24,749,786 less than 1 year. The Sabha had not taken proper action to recover these arrears.
- (b) The arrears of rates due from a private institution from 2015 to end of the year underreview amounted to Rs.767,028. Of this, Rupees one lakh had been recovered on 03 January 2018. However, adequate action had not been taken to recover the balance.
- (c) Action had not been taken to recover the arrears of rates of Rs.261,414 as at end of the year under review which prolongs from 2013 from a private institution.

2.3.4 Rent

- (a) The arrears of lease rent recoverable from the stalls at the Kiribathgoda north boundary amounted to Rs.1,064,861. Lack of written agreement had become an obstacle to take legal action for recovery of arrears.
- (b) Action had not been taken to recover the arrears of lease rent of Rs.281,330 relating to land and buildings ranging from 5 – 10 years.

2.3.5 Other Revenue

(a) Environmental Licences

- (i) Although it is a necessity to obtain environmental licences for sewing mills, carpentry shops operated by machinery, holiday resorts, fuel filling stations, grinding mills, printing shops, oil mills and reception halls operating within the area of the Sabha, environmental licences had been obtained by only 20 institutions of the area. The number of environmental licences obtained was at a low level as the area is an advanced area with tendency for growth of industries and businesses.

- (ii) Applications for licences should be forwarded three months ahead of the expiry of licences. However, three institutions whose date of expiry of licences was due as at 31 December 2017 had not forwarded their applications even by 06 June 2018.

(b) Revenue from Advertisement Boards

Fees should be charged from all advertisement boards in terms of Sections 122 and 126 of the Pradeshiya Sabha Act No.15 of 1987 and the first schedule of the bye-laws relating to advertisements published in the Local Authorities (Bye-laws adopted) No.06 of 1952 published in the Gazette Extra Ordinary No.1947/6 of 28 December 2015. However, fees had been charged for 87 advertisements only.

(c) Telecommunication Tower Revenue

- (i) Revenue should have been collected in terms of Section V of schedule V of the Gazette Extra Ordinary No.1597/8 of 17 April 2009 by identifying all the telecommunication towers within the area of the Sabha established as per approved list of the Telecommunication Regulatory Commission. However, revenue from rates only had been collected from 07 towers within the area of the Kelaniya Pradeshiya Sabha based on annual assessment.
- (ii) Action had not been taken to recover business tax from institutions possessing competitive exchange equipment installed in telecommunication towers of the Pradeshiya Sabha area.
- (iii) Arrears of revenue from towers as at end of the year under review amounted to Rs.97,073.

2.3.6 Stamp Fees and Court Fines

Court fines of Rs.06 million and stamp fees of Rs.108 million were due from the Chief Secretary of the Provincial Council and other authorities as at 31 December of the year under review.

3. Operating Review

3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act. such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

(a) Bye-Laws

Bye-laws were required to be enacted for 51 main functions under Section 126 of the Pradeshiya Sabha Act. But, bye-laws for 48 functions only had been enacted even by 31 December 2017.

(b) Action Plan

Action plan had been prepared for functions to be fulfilled by the Sabha as per by-laws enacted. There was failure in implementing 07 functions included in the action plan.

(c) Non-achievement of the Expected Benefit

(i) Forty one stalls of the Kelaniya bus stand constructed by spending Rs.27.98 million remained closed since 2011. The Sabha had not derived any benefits from those stalls. The ownership of the premises too had not been resolved yet. The cost incurred on the building by the Sabha had also been deleted from accounts.

(ii) Three stalls of the Hunupitiya New Trade Complex had not achieved the expected benefit since 2011.

(d) Work Abandoned

Although agreements had been entered into for 04 work to be executed during the year under review for Rs.571,620, the work had been abandoned by 31 December 2017 without achieving the expected benefits.

(e) Solid Waste Material Management

Capital expenditure had not been incurred on behalf of disposal of garbage within the area of the Sabha. However, a sum of Rs.17 million had been spent on revenue expenditure. But,

(i) the collection of fees to settle the expenditure incurred on door to door collection of garbage had not been determined in the annual budget as required by 18 (1) of the Gazette notification No.1560/06 dated 30 July 2008.

(ii) Garbage tax or fees had not been levied in terms of the above gazette notification, the gazette notification No.1713/11 dated 05 July 2011 and the gazette notification No.1534/18 dated 01 February 2008.

- (iii) The Manelgama garbage sector had the capacity of composting 09 tons daily. However, it had been minimized to 1 ½ tons as the non-degradable garbage had been stored there.

(f) Environmental Problems

Five complaints had been lodged regarding the environmental pollution caused by industries of the area. But, favourable methods had not been adopted to resolve them. There were public complaints against dropping waste material at Thorana Handiya, Posonwaththa Road, vicinity of Deerananda Pirivena, Gala Handiya and in front of the Silicon Engineering Institution. Although the Sabha had paid attention regarding these problems, it had not been resolved.

(g) Sustainable Development Target

The Sabha had not prepared even by 06 June 2018 the long term plan for sustainable development target and the objectives in order to uplift the living standards of the public within the area of the Sabha through the global indicators relating to sustainable development objectives and targets as per 2030 agenda of sustainable development.

3.2 Management Inefficiencies

Although the amount receivable from the Lessee for leasing the Sabha Reception Hall amounted to Rs.1,008,714, the court verdict had not been implemented even upto 06 June 2018.

3.3 Human Resources Management

The information relating to the approved and actual cadre as at 31 December of the year under review appear below.

Grade	Approved Cadre	Actual Cadre	Vacancies	Excess
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Senior	02	02	-	-
Tertiary	01	-	01	-
Secondary	48	47	01	01
Primary	207	194	13	-
Casual/Substitute	-	28	-	-
Contract/Temporary basis	-	22	-	-
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	258	293	15	01
	=====	=====	=====	=====

- (a) The vacancies for the posts of librarian, revenue inspector, preparatory school teacher, K.K.S, watcher, library assistant, assistant operator of the crematorium and 05 field labourers and a sanitary labourer existed in the approved cadre as at 31 December of the year under review.
- (b) An excess technical officer was in the approved cadre as at end of the year under review.
- (c) A public health inspector had been temporarily released on no pay leave from 03 April 2017 for a post in the Waste Material Management Project.

3.4 Operating Inefficiencies

Lack of periodical assessment of rates/properties

Rates should be assessed every 05 years in terms of the Special Provision Act relating to Local Authorities No.48 of 1971 and the State Accounts Circular No.434 of 31 December 2008. But, the rates for properties in 3 sub offices belonging to the Sabha assessed in 2008 had completed about 9 years and the Sabha had failed to assess the rates according to the current value of the properties. As such, the updated rate of tax that could be recovered from 43,951 units of properties of the area had not been recovered,

3.5 Assets Management

3.5.1 Assets not Registered

- (a) Forty eight garbage carts/hand carts had been entered in the financial statements whereas 17 garbage carts/hand carts only had been produced for physical verification.
- (b) Seven assets and 02 vehicles identified under the land and buildings during the annual board of survey had not been entered in the register of fixed assets.

3.5.2 Safety of Assets not ensured

The safety of assets had not been ensured due to lack of name boards in the properties of the Sabha, lack of legal action against those who had demolished wells of the Sabha to construct illegal structures and lack of demarcation of boundaries so as to barb wire the area around the properties.

3.5.3 Lack of Maintenance and Repairs

- (a) Action had not been taken to suitably repair or to dispose of, 03 tractors and a three wheeler of the vehicle fleet which had been allowed to get corroded in the premises of the head office for a long time.

- (b) The public well at Kiribathgoda Co-operative Housing Scheme and the well at Hunupitiya Kanthi Mawatha which needed renovations had not been renovated.

3.5.4 Assets not Acquired

Out of the 112 properties noted in the financial statements, 52 properties related to land and buildings without surveyed title deeds or vesting orders and those without title deeds confirming ownership.

3.5.5 Idle/Under utilized Assets

- (a) The Bach machine valued at Rs.32 million which had been received as donation on 11 November 2016 remained idle since that date.
- (b) The Ministry of Local Government had given 423 galvanized tubes on 16 November 2014 which remained under utilized even by 06 June 2017.

3.6 Procurement

Annual Procurement Plan

The main procurement plan and a detailed annual procurement plan had not been prepared in terms of 4.2.1 (b) and (c) of No.8 of the National Procurement Agency Circular dated 25 January 2006.

4. Good Governance and Accountability

Budgetary Control

The entire provision of Rs.2,872,000 made for 19 functions in the budget for the year under review had been saved.

5. Systems and Controls

Defficiencies observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of control.

System -----	Deficiency -----
(a) Revenue Administration	<ul style="list-style-type: none"> (i) Properties not being assessed in an updated manner. (ii) Weaknesses in recovery of arrears of revenue (iii) Lack of identification of new revenue sources so as to collect revenue.
(b) Budgetary Control	<ul style="list-style-type: none"> (i) Financial provision for Objects not being utilized. (ii) Over provisions. (iii) Under utilization of provision.
(c) Assets Management	<ul style="list-style-type: none"> (i) Title deeds not being obtained. (ii) A register of assets not being maintained. (iii) To assess and bring to account the fixed assets without information regarding cost.
(d) Solid Waste Management	<ul style="list-style-type: none"> (i) Public not being made aware of collection of garbage, disposal and production of compost fertilizer. (ii) Lack of control over excessive cost incurred on disposal of garbage.