

Pilisaru Project - 2012

1. Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, except for the effects of the adjustments arising from the matters referred to in paragraph 3 of this report, I am of opinion that,

- (a) the Project had maintained proper accounting records for the year ended 31 December 2012 and the financial statements give a true and fair view of the state of affairs of the Project as at 31 December 2012 in accordance with Generally Accepted Accounting Principles,
- (b) the funds provided had been utilized for the purposes for which they were provided, and
- (c) satisfactory measures had been taken by the management to rectify the issues highlighted in my previous year audit report.

2. Financial Statements

2.1 Financial Performance

According to the financial statements, a summary of the expenditure of the Project for the year under review amounting to Rs. 399,882,098, expenditure for the previous year amounting to Rs. 484,580,589 and the cumulative expenditure as at 31 December 2012 amounting to Rs. 884,462,687 is shown below.

Item	Expenditure for the year 2012	Expenditure for the year 2011	Cumulative expenditure as at 31 December 2012
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	Rs.	Rs.	Rs.
i. Construction of Compost yards	55,297,185	192,345,425	247,642,610
ii. Construction of Landfills	4,255,164	11,800,505	16,055,669
iii. Small scale compost yards and domestic compost bins	302,556,119	225,283,914	527,840,033
iv. Transport(Fuel and maintenance)	4,059,468	2,765,910	6,825,378
v. Supply of office Stationery	2,002,499	1,317,123	3,319,622
vi. Salaries	22,573,584	21,857,374	44,430,958
vii. Postal and Communication	349,013	904,967	1,253,980
viii. Coordination and Management of Projects	204,066	128,604	332,670
ix. Office Rent Office Expenditure	3,408,800	3,528,800	6,937,600
x. Overtime	2,483,391	2,277,631	4,761,022
xi. Bank Charges and Debit Tax	20,100	273,780	293,880
xii. Expenditure relating to the Korean International Cooperation Agency (KOICA expenses)	-	18,982,331	18,982,331
xiii. Insurance	254,937	535,795	790,732

xiv. Service and repairs of Vehicles	2,383,072	2,487,159	4,870,231
xv. Miscellaneous	34,700	91,271	125,971
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	399,882,098	484,580,589	884,462,687
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3. Audit Observations

3.1 Accounting Deficiencies

Following observations are made.

- (a) Unsettled mobilisation advances amounting to Rs. 6,367,019 as at 31 December 2012 had not been shown in the financial statements.
- (b) Although a sum of Rs. 3,000,000 had been shown as payable to the Green Award Ceremony of the Central Environmental Authority in the financial statements of the Project, a sum of Rs. 4,375,000 had been shown in the financial statements of the Authority as receivable from the Project. Action had not been taken to identify and adjust the difference accordingly.

3.2 Non compliance with Laws, Rules, Regulations and Management Decisions

Following non compliances were observed.

Reference to Laws, Rules, Regulations etc;	Non compliance
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(a) Financial Regulations 103(ii) (f), 104(i) and 105(i)	Losses amounting to Rs. 6,050,000 caused to a vehicle had not been recovered from the officers responsible.

- (b) Public Finance Circular No. PF/429 dated 19 March 2008 and Guideline No. 5.4.4(1) of the Procurement Guidelines of the Democratic Socialist Republic of Sri Lanka
- Although a maximum of 20 per cent of the contract sum could be paid as mobilization advance, 30 per cent or Rs. 6,812,874 had been paid as advances for 03 small scale compost projects.
- (c) Public Administration Circular No.13/2008 dated 26 June 2008
- (i) Paragraph 04
- Although an assigned vehicle had been provided for the Project Director, pool vehicles had been used by him in 36 instances.
- (ii) Paragraph 07
- Six officers had travelled from Office to residence exceeding the limit of 50 kilometers.
- (d) Public Administration circular No.41/90 dated 10 October 1990
- Although the fuel consumption of vehicles should be tested once in 06 months, it was not done so.
- (e) Public Enterprises circular No.118 (a) dated 23 May 1997 and Section 10 of Chapter VIII of the Establishments Code.
- Although the 1/20 allowance for being engaged in duty on Public Holidays is entitled for only one day per month, contrary to this a sum of Rs. 260,896 had been overpaid to 9 officers for 03 days in a month.

3.3 A sum of Rs. 19,466,819 had been spent for Central Environmental Authority extraneous to the objectives of the Project out of the funds received for the Pilisaru Project without the approval of the Secretary to the Ministry.

3.4 The Project had owned 4 vehicles and a sum of Rs. 1,737,255 had been spent on hire of vehicles during the year 2012. This was 40 per cent of the expenditure on fuel and maintenance for the year .

3.5 Idle and Underutilised Assets

(a) Projects not commenced

Pradeshiya Sabha / Urban Council to whom advances had been granted	Advance granted	Idle period	Others
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	Rs.		
Kalawana Pradeshiya Sabha	903,180	3 years and 2 months	Project not commenced
Elpitiya Pradeshiya Sabha	15,252,311	3 years and 3 months	Project not commenced
Galenbindunuweva Pradeshiya Sabha	1,280,663	2 years	Project not commenced as the properties of the Pradeshiya Sabha had been prohibited.
	----- 17,436,154 =====		

(b) **Delayed Projects**

Local Authority	Estimated Amount	Amount paid as at 31 December 2012	Date of completion of work as per agreement	Period of delay as at 31 December 2012
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	Rs.	Rs.		
Kelaniya Pradeshiya Sabha	13,895,860	9,750,216	31 January 2011	One year and 11 months
Mawathagama Pradeshiya Sabha	6,070,157	1,214,031	04 April 2011	One year and 8 months
Kattankudy Urban Council	8,346,132	1,669,226	29 May 2012	7 months
Nikawaratiya Pradeshiya Sabha	2,465,256	989,320	04 April 2012	8 months
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Total	30,777,405	13,622,793		
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3.6 Cadre Management

Following observations are made.

- (a) According to the financial statements, the total expenditure incurred on staff amounted to Rs. 25,056,974 and it was 52 percent of the total operational expenditure.

- (b) When the recruitments were made to the posts of Senior Engineer and the Deputy Manager (Public Relations) of the Project, officers who do not have qualifications required for the posts had been recruited and a sum of Rs. 6,403,600 had been paid as salaries and allowances from the year 2008 to 2012. Further, as the Senior Engineer did not have necessary qualifications and experience on designing and planning regarding construction contracts, Rs. 6,957,514 had to be spent to obtain consultancy service on designing and planning from external parties when constructing large scale compost yards.

3.7 Fulfilment of Environmental and Social Responsibilities

A sum of Rs. 180.35 million had been spent by the Pilisaru Project on the awareness programmes from the year 2008 to 2012 regarding the separation of domestic garbage. Further, 13 carrier belt systems had been purchased by spending Rs. 16.14 million for the separation of garbage. Further, these carrier belt systems had not been implemented in the large scale compost yards of Kolonnawa, Pothuvilkumbura, Kalutara Poharawatha and Hikkaduwa Mon-Roviawaththa.

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Total</u>
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	(Million)	(Million)	(Million)	(Million)	(Million)	(Million)
Amount spent on supply of separated garbage bins (according to the information furnished)	16.80	40.80	12.75	19.43	5.30	95.08
Awareness Programmes	<u>0.72</u>	<u>10.94</u>	<u>35.06</u>	<u>20.81</u>	<u>17.74</u>	<u>85.27</u>
	17.52	51.74	47.81	40.24	23.04	180.35
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4. Physical Performance

4.1 Operational Inefficiencies

Following observations are made.

- (a) Five large scale compost yards had been constructed spending Rs. 415,177,352 by Pilisaru Project during the period 2008-2013 in Kolonnawa, Hikkaduwa Monroviawatta, Anuradhapura Nuwaragampalatha, Kalutara Poharawatta and Medirigiriya Yudaganawa. It had been planned to manage 35-50 Metric Tons of garbage daily in a large scale compost yard. However, at the time of physical verification 10 tractor loads of garbage at Hikkaduwa compost yard, 10-15 Metric Tons of garbage at Kolonnawa Pothuvilkumbura compost yard and 30 Metric Tons of garbage at Kalutara Poharawatta compost yard had been received daily. Accordingly, it was observed that garbage necessary to the capacity of the compost yard had not been received as planned.
- (b) Following observations are made regarding compost yards.
- (i) Hikkaduwa Monroviawaththa compost yard
- About 10 tractor loads of categorized garbage were being received to the yard. Further, as about 10 tractor loads of uncategorized garbage had been dumped separately without being managed, it had caused environmental pollution.
 - Although it was planned to receive garbage to the compost yard from 7 Local Authorities, the garbage from only 3 Local Authorities had been received.
 - Electricity connection had not been obtained for the water motor up to 31 December 2012. Due to water leakage from roof and gutters the activities of the yard could not be properly carried out.

- Since the estimated quantity of garbage had not been received to Hikkaduwa compost yard, compost had not been produced as intended even up to 31 December 2012 and 2 huller machines and a bobcat machine had been idling.
- (ii) Kolonnawa Pothuvilkumbura compost yard
- Since the garbage received from Sedawatta and Orugodawatta areas had not been separated these garbage had been dumped in the neighbouring Colombo garbage sites without taking into the yard.
 - The garbage about 800 metric tons collected daily by the Colombo Municipal Council had been dumped in open space and due to this net fence constructed around the compost yard spending Rs. 769,557 and the road provided for the arrival of garbage lorries had been disturbed.
 - Although 03 carrier belt systems had been fixed for the Kolonnawa compost yard spending Rs. 3,723,711, the carrier belts had become inoperative. The Project Engineer had certified that these 03 carrier belt systems had been properly fixed and functioning and the payments had been made. But these had become inoperative within a short period of 2 ½ months.
- (iii) Although a sum of Rs. 38,555,020 had been spent on awareness programmes during the years 2011 and 2012, it was observed in the examination of the compost yards that the tendency of public to separate and dispose of the garbage was very weak.