

**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 for audit on 29 March 2016 and the financial statements for the preceding year had been presented on 31 March 2015. The report of the Auditor General for the year under review was issued to the Secretary of the Sabha on 29 June 2016.

**1.2. Qualified Opinion**

Except for the effects on the financial statements of the matters referred to in Paragraph 1.3 of this report, I am of opinion that the financial statements have been prepared in accordance with the Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Kelaniya Pradeshiya Sabha as at 31 December 2015 and the financial result of its operations and cash flows for the year then ended.

**1.3. Comments on Financial Statements**

**1.3.1. Accounting Deficiencies**

The following deficiencies are observed.

(a) The revenue grants receivable as at 31 December in the year under review amounting to Rs.18,061,328 had been brought to account and, this amount included Rs.1,159,580 receivable in respect of 12 works relevant to 2014. Therefore the revenue grants receivable and revenue grants account had been overstated by a similar amount. This error had been corrected by debiting the revenue grants receivable account and crediting to the accumulated fund through the Journal Entry 04. Therefore both accounts had been overstated by Rs.1,159,580.

(b) The work aid receivable, amounting to Rs.4,809,093, received in excess had been credited to the accumulated fund, without making provisions for creditors.

(c) The consumption of stationary during the year under review, amounting to Rs.1,413,007 had been brought to account incorrectly as Rs.359,519 through the Journal Entry 65. When correcting this error through the new Journal Entry 05, a sum of Rs.359,519 had been overstated.

**1.3.2. Lack of Evidence for Audit**

Transactions totalling to Rs.48,430,866, could not be vouched satisfactorily during the audit, due to non-submission of required information to audit.

**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 2015 amounted to Rs.76,820,822, as against the excess of recurrent expenditure over revenue amounting Rs.20,157,882 for the preceding year.

## 2.2. Revenue Administration

### 2.2.1. Estimated Revenue, Actual Revenue and Revenue in Arrears

The information submitted by the Secretary with respect to the Estimated Revenue, Actual Revenue and Revenue in Arrears relevant to the year under review are indicated below.

<b>Item of Revenue</b>	<b>Estimated</b>	<b>Actual</b>	<b>Cumulative Arrears as at 31 December</b>
	<b>Rs.000,</b>	<b>Rs.000,</b>	<b>Rs.000,</b>
Rates and Taxes	99,179	35,561	40,606
Trade Licence Fees	2,022	1,665	357
Lease Rent	17,781	11,991	5,789

### 2.2.2. Rates and Taxes

The following matters are observed.

- (a) The balance of arrears in rates and taxes existed at the beginning of the year under review amounted to Rs.35 million and this had been increased to Rs.40.6 million.
- (b) The last rates and taxes assessment of the Sabha had been carried out in the year 2009. The Sabha had failed to get a revision of tax assessment done, though 7 years had passed as at the date of the audit, which was carried out on 06 April 2016.
- (c) The balance of arrears in rates and taxes as at 31 December of the year under review amounted to Rs.40,606,002. This included, the balance in arrears amounting to Rs.23,208,569 due for a period of 1 to 3 years, and the balance in arrears amounting to Rs.421,739 due for a period of 5 to 10 years. Therefore it was observed that the Sabha had not taken proper action, to recover this revenue in arrears.

### 2.2.3. Lease Rent

The following matters are observed.

- (a) 24 stalls in Kelaniya Bus Stand had been closed since 17 July 2014, and the Sabha had not focused the attention to earn revenue to the Sabha from these stalls.
- (b) According to the financial statements as at 31 December 2015, the balance of arrears for meat/fish stalls had been Rs.959,728, and this included, a balance amounting to Rs.78,496 due for a period of 5 to 10 years.

### 2.2.4. Licence Fees

The total number of trade licences received for the year 2015 was 1480, and number of trade licences issued was 885. The 480 trade licences handed over to the Medical Officer of Health to obtain the signature had not been returned to the Sabha even by December 2015. Since this had not been followed-up, the Sabha had been deprived of revenue which could have been earned.

### **3. Operating Review**

#### **3.1. Management Inefficiencies**

According to the Section 3 of the Pensions Circular No. 4/2010 dated 26 May 2010, the contributions should be paid to the Public Service Provident Fund, in respect of temporary, contract, and daily paid employees who are not entitled for the pension. Since action had not been taken in accordance with these regulations, the relevant employees had filed a court case, and according to the judgement, the labour court had ordered the Sabha to pay the contributions and the surcharges amounting to Rs.209,673.

#### **3.2. Idle and Underutilized Assets**

The Baranes Kanda Community Hall which had been constructed at a cost of Rs.1.8 million in the year 2010 had been kept closed for several years, without utilising for welfare activities.

#### **3.3. Employees Loans**

The balance in employees' loans as at 31 December 2015 amounted to Rs.19,488.619, and this included a balance of Rs.171,723 receivable from 04 employees who had been transferred and vacated post. Out of this, the loan balance of Rs.167,750 had been due over a period of 5 years, and the balance of Rs.3,973 had been due over a period of 10 years.

#### **3.4. Human Resource Management**

The following matters are observed.

- (a) There had been 3 vacancies in the Secondary Grade, whilst the post of Technical Officer had been vacant since 29 November 2013.
- (b) In accordance with the Public Administration Circular 25/2014(1) dated 29 December 2014; one fieldwork supervisor; 34 work/field labourers; 07 watchers; and 17 sanitary labourers; totalling to 59 persons had been made permanent in the service. But action had not been taken to get the approved cadre amended.
- (c) 33 officers in the Primary Grade had obtained 935½ days no-pay leave during the year 2015, and this had hampered the carrying out of routine work in the Sabha.

#### **3.5. Control Over Contracts**

The following matters are observed.

- (a) The Section 3.3 of the Public Financial Circular No. 452 dated 27 September 2011 stipulates that, at the time of awarding a contract, the relevant community-based organization should not be engaged in more than 03 contracts. But, Dalugama Multi Purpose Corporative Society Limited had been contracted, for 23 projects on 11 February 2015, and for 26 projects on 16 March 2015, contravening the circular. It was observed that, the projects had been completed within a short period of 8 and 12 days. Therefore the practicability of this, as well as the quality of the completed projects had become questionable during the audit.

- (b) Two crematoriums had been constructed in Hunupitiya and Wanawasala areas, spending Rs.32,020,614, during the previous year and the year under review. Though, Hunupitiya crematorium had been completed on 23 November 2015 and Wanawasala crematorium had been completed on 29 October 2015, action had not been taken even by April 2016 to open the crematoriums for the needs of the public.

**3.6. Solid-Waste Management**

The waste collection is taking place along 22 kilometres of roads in the area under the authority, and an expenditure amounting to Rs.16,911,107 had been incurred for this as at 31 December of the year under review. There were no evidences supporting the receipt of approval from the Environmental Authority in respect of disposing the waste to Manelgama area.

**4. Systems and Controls**

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

- a) Accountancy
- b) Internal Audit
- c) Budgetary Control
- d) Revenue Administration
- e) Stores Control