

**Kelaniya Pradeshiya Sabha  
Gampaha District**

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**1. Financial Statements**

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**1.1 Presentation of Financial Statements**

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The financial statements for the year 2018 had been presented for audit on 27 March 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 30 May 2019 and 03 September 2019 respectively.

**1.2 Qualified Opinion**

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In my opinion, except for the effect of the matters described in the basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Kelaniya Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year there ended in accordance with generally accepted accounting principles.

**1.3 Basis for Qualified Opinion**

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<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(i) Fixed assets had been understated by Rs. 1,888,786	Correct value of fixed assets should be brought to account	Action will be taken to include in the final accounts of 2019.
(ii) Debtors' and Creditors' Account had been overstated by Rs. 130,215,203	Correct values should be brought to account	Action will be taken to rectify by journal entries while preparing the final accounts of 2019.
(iii) The difference between the balances of 16 accounts shown in the financial statements as at 31 December 2018 and the balances appearing in the subsidiary register amounted to Rs. 443,089,709	Action should be taken to reconcile the respective balances and rectify accounts	Action will be taken to rectify while preparing the accounts for 2019.

## 1.4 Non - compliances

### 1.4.1 Non – compliance with Laws, Rules, Regulations and Management Decisions

	<b>Reference to Laws, Rules, Regulation and Management Decisions</b>	<b>Non compliance</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a)	Financial Regulation 396 of the Democratic and Socialist Republic of Sri Lanka	Action had not been taken regarding 17 cheques valued at Rs. 282,945 exceeding 06 months.	Should act according to the Financial Regulation	Action in being taken to credit to revenue the other cheques. Meanwhile, the cheques re-issued after cancellation had been cleared by 30 April 2019.
(b)	State Accounts Circular No. 01/2012 of 03 January 2012 Paragraph 3:2	Thirty contracts had been entrusted to community based organizations without examining the relevant suit abilities.	Should act according to the circular	The Sabha had received extensive number of projects whereas the number of societies registered were few. As such, it was decided to entrust the projects to Praja Mandalayas.

## 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 2018 amounted Rs.93,491,106 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs. 68,430,011.

### 2.2 Financial Control

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Action had not been taken to settle 24 cheques amounting to Rs. 1,197,593 existing from 2004 to December 2018.	Should act according to the Financial Regulation	Further information will be sought in this regard and action will be taken to rectify the matters pointed out in the year 2019.

## 2.3 Revenue Administration

### 2.3.1 Estimated Revenue, Revenue billed, Revenue collected and the Arrears of Revenue

The information relating to 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	2018				2017			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total Arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	55,501,000	58,828,222	58,149,428	24,509,950	53,550,000	54,958,058	62,275,053	25,212,921
Rentals	20,672,596	22,208,754	21,293,547	6,197,573	19,717,347	22,671,017	23,325,061	5,127,727
Licence Fees	1,801,000	1,858,368	1,858,368	-	1,552,500	1,829,128	1,829,128	359,566
Other Revenue	151,025,250	187,926,315	187,926,315	-	127,765,500	93,240,090	93,252,089	-

### 2.3.2 Rates and Taxes

Audit observation	Recommendation	Comments of the Accounting Officer
(a) According to the age analysis of balances of rates and taxes, as furnished by the Sabha, the balances of arrears were Rs. 7,521,186 of 1-3 years, Rs. 5,738,965 of 3 – 5 years, Rs. 9,517,119 of 5 – 10 years and Rs. 4,152,053 over 10 years.	Action should be taken to recover long outstanding rates.	Necessary action is being taken to legally write off the arrears date from non existing properties by coring out a survey.
(b) Rates had not been revised after 2009	New assessment of rates should be expedited	Action had not been taken for new assessments according to the revision of assessments and reminders are being continuously sent.

### 2.3.3 Stall Rent

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>The arrears of stall rent due from 76 stalls as at 31 December of the year under review amounted to Rs. 2,227,286. There were no written agreements for 103 stalls. Arrears of rent due from 36 stalls given on rent without written agreements amounted to Rs. 1,078,327</p>	<p>Action should be taken to recover the arrears of stall rent due.</p>	<p>Action had already been taken to enter into agreements. Further, action will be taken to obtain new assessments from the Department of Valuation with regard to stalls which had expired their period of validity.</p>

### 2.3.4 Other revenue

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>(a) Sixty four telecommunication towers had been installed within the authoritative area of the Sabha. Licence fees amounting to Rs. 75,000 at the rate of Rs. 3,000 each had been collected as revenue during 2018. Action had not been taken to recover licence fees or to report the towers as inoperative.</p>	<p>Action should be taken to recover fees from all telecommunication towers</p>	<p>Action is being taken to recover revenue from towers at present. Action is also being taken to identify towers within the authoritative area.</p>
<p>(b) Although there are 64 telecommunication towers within the authoritative area of the Sabha, action had not been taken to recover revenue from rates on the basis of annual assessment.</p>	<p>A survey should be conducted to identify all towers</p>	<p>Action is being taken to recover trade tax in 2019.</p>

## 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 No. 15 of 1987 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**

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**Audit Observation**

**Recommendation**

**Comments of the Accounting Officer**

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Bye laws were required to be enacted for 30 main functions under Section 126 of the Pradeshiya Sabha Act. But, bye-laws had been enacted for 26 functions only even by 31 December 2018

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Bye – laws should be enacted

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Action will be taken in future to prepare by laws as necessitated

**(b) Action Plan**

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**Audit Observation**

**Recommendation**

**Comments of the Accounting Officer**

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Five tasks to be executed by the Sabha as per bye -laws enacted had not been included in the annual action plan

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Tasks to be executed should be included in the action plan

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Those bye-laws relate to matters which are not relevant to our authoritative area

**(c) Non – achievement of the Expected Outcome**

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**Audit Observation**

**Recommendation**

**Comments of the Accounting Officer**

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A sum of Rs. 27,985,429 had been spent from the funds of the Sabha to construct stalls at the Kelaniya bus stand. Constructions has been done without confirming the legal ownership of the premises where construction had been made. As a result, the benefit derivable since 2016 had been deprived of

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Action should be taken to obtain to expected benefit for the expenditure incurred

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The land where the construction had been made had been surveyed by an authorized surveyor on a verbal approval.

**(d) Solid Waste Material Management**

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**Audit Observation**

**Recommendation**

**Comments of the Accounting Officer**

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(i) Bye-laws had not been enacted and garbage tax had not been recovered for garbage disposal and management

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By-laws should be in acted and garbage tax recovered

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Recovery of garbage tax had commenced from October 2018.

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| (ii) | Environmental licence had not been obtained from the land where disposal of garbage takes place even by 07 May 2019 | Action should be taken to obtain environmental licence | An application had been referred to the Central Environmental Authority to obtain environmental licence. But, environmental licence had not been issued yet. |
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### 3.2 Public Complaints

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#### Audit Observation

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Out of the 168 public complaints received during the year under review, 115 complaints had been resolved. 20 were at the inquiry level and 33 had not been resolved

#### Recommendation

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Action should be taken regarding public complaints

#### Comments of the Accounting Officer

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Prompt action will be taken regarding this matter.

### 3.3 Assets Management

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#### Safety of Assets not ensured

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#### Audit Observation

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- (a) Out of 57 land and buildings identified as belonging to the Sabha during surreys, 43 lands were not in possession of title deeds. Certain land possessed the plans only. There were no documents for 5 properties.

#### Recommendation

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Action should be taken to confirm ownership of assets of the Sabha

#### Comments of the Accounting Officer

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Accepted. Action is being taken to collect details on special forms

- (b) Out of the land mentioned in the register of fixed assets, the value of 25 lands had not been maintained

The value of assets should be confirmed and brought to account

Action is being taken to assess in order to correctly find out the values with the assistance of the Surveyor General's Department

### 3.4 Assets not acquired

#### Audit Observation

The Sabha had not acquired a vehicle and 04 other vehicles valued at Rs. 13,322,320 received from various institutions even by 08 May 2019

#### Recommendation

Action should be taken to legally acquire the vehicles

#### Comments of the Accounting Officer

Action is being taken to acquire the vehicles pointed out in favour of our Sabha.

### 3.5 Verification of Goods

#### Audit Observation

(a) The playground and the children's park at the Gurunansegewaththa housing scheme were not in existence. Instead, a Buddha statue was there. The Wanawasala playground too is not in existence now.

(b) Suitable action had not been taken will regard to 1,265 books in 11 libraries which could not be used and 1,518 books not presented for verification.

#### Recommendation

Action should to taken to protect assets of the Sabha.

Suitable action should be taken

#### Comments of the Accounting Officer

Action had been taken to erect fence around the land concerned to be belonging to the Sabha and to install name boards

Action had now been taken to receive the books pointed out. Prompt action will be taken to appoint a board for disposal of goods so as to take necessary action.

### 3.6 Uneconomic Transactions

#### Audit Observation

A sum of Rs. 364,512 had been paid to the Central Engineering Consultancy Bureau during the year under review to test samples of block stones used for concreting 44 roads constructed by the Sabha. However, a physical verification revealed that the block stones presented for testing were some other samples and not the block stones used for the roads.

#### Recommendation

Action should be taken to identify the officers responsible so as to make recoveries.

#### Comments of the Accounting Officer

The roads which had not been successfully completed with block stones as pointed out in audit are being reconstructed. Payments will not be made with regard to samples tested. A detailed report will be furnished after completion of work.

### 3.7 Supplies and Services

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) Although 14 air conditioners had been purchased from the Singer Sri Lanka company for Rs. 4,476,950 on 09 February 2018, an agreement had not been entered into with the company in terms of 8.9(b) of the procurement guidelines.	Action should be taken according to the procurement guidelines	Accepted. A copy of the agreement will be furnished soon after its presentation.
(b) The bids for purchasing 5,000 electric bulbs in 2018 had not been furnished to the technical evaluation committee in terms of 7.11.1 of the procurement guidelines and agreement had not been entered in to with the institution in terms of 8.9(b) of the procurement guidelines.	Action should be taken according to the procurement guidelines	Accepted. Bulbs had not been purchased up to now as 5,000 bulbs had been purchased in 2018. Action is being taken to enter into agreements with the suppliers who had been selected on the recommendations of the technical evaluation committee.

### 3.8 Contract Administration

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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Concrete block stones had been laid on 44 roads by the Sabha by spending Rs. 28,360,551. A sample test carried out to test the effectiveness of block stones revealed that the effectiveness tested with regard to 14 out of 21 stones were of low value.	The expected effectiveness should be confirmed in the test reports while carrying out constructions	The roads with low effectiveness as pointed out in audit are being reconstructed.