

Biyagama 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 30 March 2012 and the financial statements for the preceding year had been presented on 31 March 2011. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 29 January 2013.

1:2 Opinion

In view of the comments and observations appearing in my report forwarded to the Chairman, I am unable to express an opinion on the financial statements of the Biyagama Pradeshiya Sabha for the year ended 31 December 2011 presented to audit.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

- (a) Although stocks should be physically verified, valued and included in preparation of financial statements, the stock had been computed based on the balances in the stock registers of the stores.
- (b) There was an over – provision of Rs. 1,666,856 after making payments during the year under review out of the provision made for creditors for the preceding year.
- (c) Provision had not been made under the creditors for the year under review in respect of Value Added Tax amounting to Rs. 5,168,461 payable to the Commissioner General of Inland Revenue as at 31 December 2011.

- (d) Capital expenditure amounting to Rs. 1,853,107 incurred at 10 instances for construction of buildings and additions to the buildings of the Head office and Sub-offices of the Pradeshiya Sabha had not been capitalized under land and buildings.
- (e) The block of land valued at Rs. 750,000 vested with the Sabha for common amenities from the auctioned land named Thelambugahawatta situated at Siyambalape, Waduwegama had not been added to the value of land and buildings.
- (f) The balance of Rs. 2,973,157 collected in the collection accounts of 03 Sub-offices as at 31 December 2011 had been omitted from the accounts.

1.3.2 Lack of Evidence for Audit

Transactions totaling Rs. 19,869,149 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 recurrent expenditure over revenue of the Sabha for the year ended 31 December 2011 amounted to Rs.11,461,930 as compared with the excess of recurrent expenditure over revenue amounting to Rs. 14,224,819 for the preceding year.

2.2 Financial Control

- (a) The minus balance of the cash book at the beginning of the year under review amounted to Rs. 2,318,849 and the minus balance at the end of the year amounted to Rs. 5,069,542. This situation had not been referred to the Sabha for its attention.

- (b) The balance of the prepayments of the Sabha as at 31 December of the year under review amounted to Rs. 18,583,420 and this included a balance amounting to Rs. 18,390,609 which was old more than 03 years. The Sabha had not taken action to recover these money and the date of payment, the name of the payee and the register of prepayments in respect of pre-payments made prior to year 2003 were not made available to audit.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

According to the financial statements presented for the year under review, information on the estimated revenue, actual revenue and the arrears of revenue is shown below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
	Rs.'000	Rs.'000	Rs.'000
(i) Rates and Taxes	30,130	24,234	18,473
(ii) Lease Rent	4,571	4,450	2,784
(iii) Licence Fees	3,204	2,037	4,217
(iv) Other Revenue	7,423	5,097	10,521

2.3.2 Stamp Fees

The stamp fees receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2011 amounted to Rs. 12,069,715

2.4 Irregular Transactions

588 cubes of soil had been purchased during the year under review at Rs. 1,900 per cube where as according to the prices of the District Price Committee of Gampaha soil could

be supplied at Rs. 1,600 per cube up to 31 December 2011. Therefore an overpayment of Rs. 176,400 at Rs. 300 per cube was observed.

2.5 Waste Disposal Project

According to a decision taken by the Sabha to dump the waste to an abandoned quarry since June 2011, the Sabha had commenced a waste disposal project and had prepared an annual cost estimate of Rs. 19,790,200. A sum of Rs. 15,600,000 approximately had been spent annually for waste disposal prior to the commencement of the project. The quarry had been filled within a certain time period and it was observed that the said project is not a long – term solution for the waste disposal.

The following further observations are made in this connection.

- (i) The volume of waste collected annually had not been measured and computed and therefore, it had been unable to decide about the life – time of the project.
- (ii) The expenditure incurred on waste disposal for 03 pervious years had not been mentioned separately in the project estimate.
- (iii) It had been planned to use 05 tractors and a mini excavator on hire from private sector for waste disposal and the annual expenditure had been decided accordingly. But, the possibility of purchasing 03 or 04 new tractors and an excavator to the Sabha at Rs. 9,090,000 from the expected expenditure had not been taken into consideration.
- (iv) Although payments had been made for 588 cubes of soil used for waste disposal from June to November 2011, measurements reports had not been obtained to support the payments. As such the usage of 588 cubes of soil had not been confirmed.

2.6 Anti – Dengue Project

Fourty employees had been recruited for the anti-dengue campaign within the authoritative area of the Pradeshiya Sabha and allowances amounting to Rs. 2,371,200 had ben paid to them from May to November 2010. The following matters were observed in this connection.

- (a) Although the Project was targeted to complete within 02 months, it had not been completed up to December 2011.
- (b) Allowances amounting to Rs. 1,060,800 and Rs. 407,550 respectively had been paid for the periods May, June and July of 2010 and January to May 2011 without the approval of the Commissioner of Local Government.
- (c) Allowances had been paid in excess of the No. of days the employees engaged in each month. Details are shown below.

Month	No. of Days the Dengue Project Held	No. of Days the Allowances Paid
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May 2010	12	25
June	07	25
August	08	25
September	10	25
October	09	25

- (d) The annual estimated expenditure of the Project was Rs. 830,000 and the expenditure on salaries itself from May to November 2011 amounted to Rs. 2,371,200

3. Systems and Controls

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

- (a) Internal Audit
- (b) Accounting
- (c) Revenue Administration.
- (d) Assets Management
- (e) Stock Control