

Biyagama Pradeshiya Sabha
Gampana District

01. Financial Statements

1:1 Presentation of Financial Statements

The financial statements for the year under review had been presented on 31 March 2011 and the financial statements for the preceding year had been presented on 30 March 2010.

1:2 Opinion

In view of my comments and observations appearing in this report. I am unable to express an opinion on the financial statements of the Biyagama Pradeshiya Sabha for the year ended 31 December 2010 presented for audit.

1:3 Comments on Financial Statements

1:3:1 Accounting Deficiencies

- (a) Even though the stores creditors balance amounting to Rs.551,118 relating to the period 1995 to 2005 had been written off from the Register of Stores Creditors according on a decision of the Sabha taken in the year under review, it had not been brought to account. As such the creditors balance of Rs.105,123 according to the Register of Creditors had been shown as Rs.729,135 in the financial statement.
- (b) The balance of the Savings Account No. 118-2-001-3-420-5866 in the People's Bank, Delgoda Branch amounting to Rs.3,445,541 had been shown in the financial statements as Rs.3,518,465.
- (c) The Bank overdraft of Rs.5,239,335 according to the cash books as at the end of the year under review had been shown as Rs.3,987,155 in the financial statements.

- (d) The receivable balance of Rs.39,636 representing an overpayment of creditors brought forward over a long period had been shown as a set off against the creditors.
- (e) Provision for creditors had not been made in respect of the pensions contribution payable as at 31 December 2010.
- (f) The balance of the sundry creditors according to the financial statements for the year under review amounted to Rs.25,351,951 and that balance according to the Register of Creditors and the schedule amounted to Rs.25,605,870.
- (g) The value of 387 items of assets received as donations and the balance stocks of drugs of the Ayurvedic Dispensaries had not been computed and brought to account while the value of 25 compost barrels amounting to Rs.30,313 had not also been brought to account.
- (h) The balance of prepayments amounting to Rs.18,777,263 according to the Schedule of Prepayments had been shown in the financial statements as Rs.18,484,119. But a reconciliation of the schedule with the Register of Prepayments it was revealed a difference of Rs.212,400.
- (i) Out of the salary reimbursements amounting to Rs.1,839,972 recoverable in respect of the year under review, a sum of Rs.1,767,972 only had been received in the year 2011.
- (j) According to Savings Bank Account, the balance of staff security as at 31 December 2010 amounted to Rs.124,494 while it had been shown as Rs.10,000 in the financial statements.
- (k) Provision for creditors had not been made for the Audit Fees for year 2009 amounting to Rs.125,155.
- (l) Deficiencies in 06 items of inventory goods were observed between the balances in the Inventory Register and the balances in the schedule furnished with the financial statements.
- (m) Fixed Assets valued at Rs.165,769 had been shown under the balance stock.
- (n) The over - recovery of staff loans amounting to Rs.14,602 had been shown as receipts in advance instead of being shown as amounts refundable.

- (o) Even though the advance of Rs.360,000 paid on 31 December 2010 to the Director of the Pilisaru Project for the purchase of compost bins should have been shown under the advances receivable, it had been shown under the stores creditors.
- (p) A sum of Rs.431,650 paid by the Sabha to other parties in accordance with a judgment of the Courts had been shown under advances for works.

1:3:2 Unreconciled Control Accounts

The balances of 03 items of account according to the Control Accounts totalled Rs.56,185,295 whereas according to the subsidiary registers, the balances of the accounts totalled Rs.56,717,725.

1:4 Accounts Payable

The value of the balances of accounts older than 01 year as at 31 December 2010 amounted to Rs.2,452,614.

1:5 Lack of Evidence for Audit

Unanswered Audit Queries

Replies to 02 audit queries relating to transactions valued at Rs.39,077,373 had not been furnished even by 24 May 2011.

1:6 Non-compliance with Laws, Rules and Regulations

Non-compliances with the following laws, rules and regulations were observed during the course of audit.

Reference to Laws, Rules, Regulations, etc	Non-compliance
(a) Pradeshiya Sabha Act, No. 15 of 1987 Sections 21 (1) and 24(1)(b)	A List of Names of the Roads and Lanes owned by the Sabha had not been prepared and published in the Gazette.
(b) Pradeshiya Sabha (Financial and Administrative) Rules - 1988	
(i) Rule 59	The Revenue Inspector or an officer authorized by the Chairman should, at the beginning of each year, prepare a list of industries and businesses in the area of authority of the Sabha and submit to the Secretary before 31 st March. But it had not been so done.
(ii) Rule 193	A Statement of Reasons for variances prepared after a reconciliation of the budgeted revenue and expenditure and the actual revenue and expenditure as at 31 December of the year under review had not been furnished.
(iii) Rule 202	The Inventory Register had not been balanced at the end of each year and the balance carried forward.
(iv) Rule 203	The Sabha had not appointed a Board of Survey at the beginning of January to conduct a full survey of the properties of the Sabha.
(v) Rule 214	The stocks of stores had not been verified by a Board of Survey at the end of each year.

(vi) Rule 217 Even though a Register in Form PS 46 should be maintained to record all particulars of the lands and buildings owned by the Sabha, it had not been so done.

(vii) Rule 218 Action had not been taken to conduct a Survey of the land and buildings owned by the Sabha annually by a Board of Survey.

02. Financial and Operating Review

2:1 Financial Result

According to the financial statements presented, the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2010 amounted to Rs.14,224,819 as compared with the corresponding excess of the recurrent expenditure over revenue amounting to Rs.9,043,309 for the preceding year.

2:2 Revenue Administration

2:2:1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Even though a request was made to the Chairman by my letter No. WN/LG/AR/2011/01 dated 07 February 2011 to furnish the particulars of the estimated revenue, the actual revenue and the arrears of revenue for the year under review and the preceding year to audit, such information had not been furnished.

2:2:2 Arrears of other Revenue

According to the particulars of arrears for the year under review and the 02 immediately preceding years an increasing trend in the arrears of revenue was observed. It appear that an effective course of action had not been taken for the recovery of arrears of revenue. Details appear in the following table.

Year -----	Arrears as at 31 December -----		
	<u>Rates</u> Rs.	<u>Other Revenue</u> Rs.	<u>Total</u> Rs.
2008	14,610,722	19,742,782	34,353,504
2009	18,377,290	18,992,014	37,369,304
2010	21,579,627	32,944,002	54,523,629

- (b) The Secretary of the Sabha had not taken effective steps in terms of Sections 158(1) and 159(1) of the Pradeshiya Sabha Act, No. 15 of 1987 for the recovery of the balance arrears of rates amounting to Rs.21,579,627 and the arrears balance of trade stalls lease rent amounting to Rs.5,430,816 as at 31 December 2010.
- (c) The information/ particulars of the Court case relating to the recovery of arrears of revenue had not been furnished to audit.

2:2:3 Courts Fines

The Courts fines recovered by the Magistrate's Court under various Ordinances up to 31 December 2010 had not been computed and brought to account.

2:3 Expenditure Structure

The budgeted and the actual expenditure of the Sabha for the year under review and the preceding year together with the variance are given below.

Item of Expenditure -----	2010 -----			2009 -----		
	<u>Budgeted</u> Rs.'000	<u>Actual</u> Rs.'000	<u>Variance</u> Rs.'000	<u>Budgeted</u> Rs.'000	<u>Actual</u> Rs.'000	<u>Variance</u> Rs.'000
Recurrent Expenditure -----						
Personal	47,736	38,937	8,799	44,967	38,163	6,804
Emoluments						
Others	62,870	114,059	(51,189)	58,003	78,553	(20,550)
Sub-total	110,606	152,996	(42,390)	102,970	116,716	(13,746)
Capital	3,355	2,896	459	3,865	3,984	(119)

Expenditure

Grand Total	113,961	155,892	(41,931)	106,835	120,700	(13,865)
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2:4 Human Resources Management

Approved and Actual Cadre

(a) Information on the approved and the actual cadre of the Sabha as at 31 December 2010 is given below.

Category of Posts	Approved	Actual
Staff	03	04
Secondary	45	39
Primary	117	88
Other	-	-
	165	131

2:5 Assets Management

2:5:1 Idle and Underutilised Physical Resources

The following observations are made.

- Three Water Tanks and 03 water tank stands valued at Rs.38,415 remained underutilized over a number of years and one water tank is not in usable condition.
- Three hand tractors trailer, 05 garbage carts and 10 wheel barrows had been deteriorating.
- Two hand tractors and 01 motor cycle remained idle for over 01 year and steps had not been taken to repair and use then or for disposal.

2:5:2 Accounts Receivable

The balance of prepayments as at 31 December of the year under review amounted o Rs.18,777,263 and out of that a sum of Rs.18,489,655 had been older than 01 year.

2:5:3 Staff Loans Recoverable

The balances of staff loans and advances recoverable as at 31 December 2010 totalled Rs.12,349,185 and the balances of account outstanding for more than 01 year totalled Rs.46,925.

2:5:4 Non-moving Current Assets

The value of assets non-moving for over 01 year as at 31 December 2010 amounted to Rs.272,529.

2:5:5 Assets and Surveyed

The value of fixed assets and stocks of stores not supported by physical verifications/ Board of Survey Reports, computed at book values as at 31 December 2010 amounted to Rs.61,315,342.

2:5:6 Transactions not Supported by Adequate Authority

The fixed deposits amounting to Rs.12,850,000 invested in the People's Bank, Delgoda Branch had been withdrawn on three occasions without obtaining the written approval of the Commissioner of Local Government in terms of in Circular No. GL/95/04 dated 09 March 1995 of the Commissioner of Local Government.

2:6 Operating Inefficiencies

- (a) Action had not been taken to pay to the Commissioner General of Inland Revenue the Goods and Services Tax amounting to Rs.3,819,523 shown under the creditors over a number of years.
- (b) Even though a sum of Rs.360,000 had been paid under creditors by voucher No.3814 on 31 December 2010 to the Director of the Pilisaru Project, the goods had not been received by the stores even by 23 May 2011, the date of audit.

2:7 Internal Audit

An adequate internal audit of the institution had not been carried out.

03. Systems and Controls

Special attention is drawn to the following areas of systems and controls.

- (a) Accounting
- (b) Internal Audit
- (c) Assets Management
- (d) Stores Control