

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 11 April 2013 and the financial statements for the preceding year had been presented on 30 March 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 21 January 2014.

1.2 Opinion

In view of the comments and observations appearing in my report, I do not express an opinion on the financial statements of the Biyagama Pradeshiya Sabha for the year ended 31 December 2012 presented to audit.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following observations are made.

- (a.) The revenue account had been understated by Rs.3,602,741 and the balance of the rates in arrears account had been overstated by Rs.242,099 due to non-adjusting of rates and taxes received in advance according to Pradeshiya Sabha Format 7.
- (b.) Issues valued at Rs.5,481,413 made during 2012 had been adjusted to the accumulated fund as Rs.5,316,786; instead of being adjusted to the general stores account and therefore expenditure votes had been understated by Rs.164,627.
- (c.) A sum of Rs.2,286,040 received as aid during the year under review had been credited to the stores creditors account, instead of being accounted as donations.
- (d.) Drugs valued at Rs.809,434 purchased during the year under review had been accounted as issue of Ayurvedic drugs at the time of purchase itself. The stock of Ayurvedic drugs as at end of the year had not been computed after conducting a verification.

- (e.) Rates had been accounted including the billing of Rs.66,026 for 31 stalls of the Kadawatha Market, which is a property owned by the Sabha during the year 2012 and Rs.133,357 for 115 properties acquired by the Government for the construction of the express way. Therefore, the income from rates had been overstated by Rs.199,383.
- (f.) The value of 10 lands amounting to Rs.9,805,240 shown in the Register of Fixed Assets had not been brought to account under land and buildings.
- (g.) An expenditure of Rs.1,108,345 incurred at 02 instances for the improvements to the fixed assets during 2012 had not been included in the fixed assets.
- (h.) The value of 02 Three Wheelers and the Water Bowser included in the Assets Register had not been included in the motor vehicles account.
- (i.) According to the details of works completed on the construction of the Multipurpose Building, Makola, the amount payable to the Central Engineering Bureau was Rs.4,917,213. But, provision had not been made for this.
- (j.) The tractor valued at Rs.1,379,000 donated by the Solid Waste Management Authority on 07 December 2012 had been debited to the stock account and credited to the stores creditors account.

1.3.2 Lack of Evidence for Audit

Transactions totaling Rs.10,829,750 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 revenue over recurrent expenditure of the Sabha for the year ended 31 December 2012 amounted to Rs.21,706,928 as against the excess of recurrent expenditure over revenue amounting to Rs.11,461,930 for the preceding year.

2.2 **Financial Control**

According to Rule No.155 of the Pradeshiya Sabha Financial and Administrative Rules-1988 and Financial Regulation 261(3); a main cash book should be maintained at the Head Office as per Format PS10 and the bank reconciliation statements should be prepared accordingly. However, the Sabha had not acted accordingly.

2.3 **Revenue Administration**

2.3.1 **Estimated Revenue, Actual Revenue and Arrears of Revenue**

Information on the estimated revenue, actual revenue and the arrears of revenue in respect of the year under review as presented by the Chairman is shown below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes Pre-paid	56,729	27,227	50,247
(ii.) Lease Rent	2,176	1,441	4,168
(iii.) Licence Fees	1,484	2,700	698
(iv.) Other Revenue	892	968	245

2.3.2 **Rates ad Taxes in Arrears**

Rates and taxes in arrears as at 31 December 2012 amounted to Rs.45,542,135 and this included a balance of Rs.10,913,933 due for periods from 01 to 05 years and a balance of Rs.1,059,120 due for over 05 years and the Secretary had not taken action to recover the above. The above balance included rates in arrears amounting to Rs.1,033,250 over Rs.5,000 each relating to the Delgoda Sub-office.

2.3.3 Licence Fees

The Secretary had not taken action to recover the trade licence fees amounting to Rs.4,146,620 in arrears for periods from 01 to 05 years and over 05 years as at 31 December 2012.

2.3.4 Lease of Stalls at Kadawatha Market

59 stalls had been constructed and had been leased out since 1989 itself. Although these stalls had been leased out prior to over 20 years, action had not been taken to sign formal agreements even by 27 August 2013; the date of audit examination.

2.3.5 Other Revenue

Rent for trade locations in arrears from 01 to 05 years as at 31 December 2012 amounted to Rs.398,878 and the balances due for over 05 years amounted to Rs.3,555,310 and action had not been taken to recover the above.

2.4 Irregular Transactions

(a.) A sum of Rs.460,000 at Rs.20,000 per person had been paid during the year under review to 23 low income earning families for construction of lavatories. But, the officers responsible had not taken follow up action to ensure that the money had been used for the intended purpose.

(b.) A sum of Rs.5,394,975 had been paid to purchase building materials for the year 2012 and the quotations forwarded had not been evaluate by an officer having a technical knowledge.

2.5 Contract Administration

Construction of the Multi-purpose Building – Makola

The Sabha and the Central Engineering Consultancy Bureau had entered into an agreement valued at Rs.17,380,000 during 2002 to construct the Multi-purpose Building at Makola for the use of Biyagama Pradeshiya Sabha, out of the Provincial Council

grants under Gampaha District City Development Programme. A sum of Rs.7,000,000 had been spent during 200/2003 for the construction works and the following observations are made in this connection.

- (i.) This project had been commenced on a land for which no legal ownership vested with the Sabha. This land to the extent of 02 Roods 35.2 Perches had already been vested with the Board of Investment by the Divisional Secretary Biyagama on 22 November 1991. Although this land had been handed-over to the Divisional Secretary at present the ownership of the land had not been settled and acquired by the Sabha even as at 30 August 2013; the date of audit examination.
- (ii.) Award of contract had not been done according to the Government Procurement Guidelines and the contract had been awarded on Turn-key basis to complete the work within 03 months considering it as an urgent project. However, a physical examination carried out on 30 August 2013 revealed that the project had not been completed and was not in a useable condition, even though 11 years had lapsed from the commencement of the project.
- (iii.) The sum of Rs.4,917,243 payable for the works completed up to 15 April 2004 had not been paid to the contractor due to lack of funds and the construction works had been abandoned half-way. Although a sum of Rs.1,000,000 had been allocated by budgeted provisions for the year 2012, no work had been carried out during the year under review.

2.6 Operating Inefficiencies

The following observations are made.

- (a.) According to the Report on Verification of Library Books, 1277 books had not been made available for the verification and of this, 615 books had been misplaced during the preceding year. A formal inquiry had not been conducted in

this connection in terms of Government Financial Regulations in order to recover the loss from the officers responsible.

- (b.) The Commissioner of Revenue, Western Province by his letter dated 18 October 2012 had informed to attend the short-comings and resubmit the request in respect of the stamp fees amounting to Rs.4,270,360 due to the Sabha. Nevertheless, the Sabha had not taken action accordingly even up to August 2013.

2.7 Hire of Vehicles

The Sabha had obtained 10 tractors and a lorry for disposal of waste within the area of the Sabha, 04 three wheelers for electrical works and a lorry and a tipper for works of the Roads Division during the year 2012 on hire basis and a sum of Rs.10,828,150 had been paid as hire charges.

The following matters were observed in this connection.

- (a.) An expenditure estimate had not been prepared.
- (b.) Copies of registration certificates and insurance licence had not been obtained.
- (c.) Although all party insurance should be obtained for vehicles taken on hire, only third party insurance had been obtained for these vehicles.
- (d.) A formal agreement had not been obtained in terms of Paragraph 8.9 of the Government Procurement Guidelines.
- (e.) The total hire charges had been paid for 06 vehicles taken on hire despite the vehicle had not performed the minimum distance per day. As such an overpayment of Rs.375,600 had been made in this regard.
- (f.) Running Charts had not been properly completed.
- (g.) A sum of Rs.58,500 had been paid for 39 days even though it had not been supported by Goods Issue Notes of the Electricity Division that 06 three wheelers had been used for activities related to electricity.

- (h.) Four tractors owned by the Sabha had been parked in garages for over long periods without being repaired and the Sabha had received 03 tractors and trailers during 2012 and 2013 as donations. Nevertheless, the number of vehicles obtained on hire had not been reduced. The Sabha was using 07 hired tractors even as at 30 August 2013; the date of audit examination.
- (i.) It was reported that certain vehicles obtained on hire are owned by the officers of the Sabha and had been given to the Sabha on other names.

2.8 Fulfilment of Environmental and Social Responsibilities

The following observations are made.

- (a.) Although a sum of Rs.6,120,000 had been estimated for a year for 05 tractors at Rs.3,400 each per day for disposal of waste; a sum of Rs.8,010,350 had been paid during 2012 for disposal of waste. Therefore, the estimate had been exceeded by Rs.1,890,350.
- (b.) A land at Malwane is used for disposal of waste and a sum of Rs.2,736,000 had been estimated for 1440 cubes of soil at Rs.1,900 per cube to put soil cover the waste and to spread the soil. The following matters were observed in this connection.
 - (i.) 2650 cubes of soil had been used for the year under review and, a sum of Rs.4,590,000 had been paid exceeding the estimate by Rs.1,854,000.
 - (ii.) Soil purchased had been transported direct to the waste disposal location and no supervision or check carried out by an authorized officer of the Sabha at the time of supplying soil to the location. The labourer who maintains registers at the location had recorded the number of cubes based on the length, width and the height of the vehicle. Although soil is delivered every day; the Technical Officer checks once in 03 days and the payments made to the contractor accordingly. The internal control exists

over this situation is weak and it could not be satisfied in audit about the economy and effectiveness of the payments made.

- (iii.) An expenditure of Rs.2,970,000 had been estimated for an year at Rs.2,750 per hour for spreading soil using a Mini Scavater. However an expenditure of Rs.4,305,000 had been incurred at Rs.4,500 per hour, exceeding the estimate by Rs.1,335,000.
- (iv.) Although it was stated that once a day the soil is put over the waste and spread by a machine, it is not done under the supervision of a supervisory officer.
- (c.) It is observed that spending of Rs.12,315,350 for obtaining tractors on hire basis to dispose the waste and obtaining a machine to spread soil is not economical and effective.
- (d.) Prevention of polluting the underground water and water ways is one of the objectives of the waste disposal project. But it was observed that this objective is not achieved by dumping waste in this manner, and there can be a threat to the environment if the Kelani River near by this location is over-flows.
- (e.) Sampath Piyasa and Sampath Kendra had not been used in terms of Paragraph 6 of the letter of the Commissioner of Local Government by which the approval had been given for the project.
- (f.) Although waste is a property of the Sabha; no attention had been paid to recycle the waste in a suitable manner at the places where waste is generated or to manufacture compost and earn an income. However, a sum of Rs.21,955,584 had been spent during 2012 to dispose of waste

3. Systems and Controls

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

- (a.) Accounting
- (b.) Internal Audit
- (c.) Assets Management
- (d.) Vehicle Utilization