

Gampaha Municipal Council

Gampaha District

1. **Financial Statements**

1.1 **Presentation of Financial Statements**

The financial statements for the year under review had been presented on 01 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 Mayor of the Council on 09 January 2013.

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 Gampaha Municipal Council for the year ended 31 December 2012 presented to audit.

1.3 **Comments on Financial Statements**

1.3.1 **Accounting Deficiencies**

- (a) Two tractors and 02 trailers purchased at Rs.1,500,000 during the year under review had not been shown under fixed assets.
- (b) The balance of prepayments included 06 dishonoured cheques valued at Rs.62,833 without being settled them.
- (c) The value of the 02 numbers of Angul (අඟුල්), 01 boat with engine and the generator received from the Disaster Management Authority had not been assessed and taken into accounts.
- (d) A provision of Rs.35,500,000 had been made for 03 activities during the year under review and this had been accounted as creditors as at end of the year; despite that no agreement had been entered into and no work had been carried out on above activities.

1.3.2 **Lack of Evidence for Audit**

Transactions totaling Rs.134,756,437 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 Council for the year ended 31 December 2012 amounted to Rs.34,986,801 as compared with the excess of revenue over recurrent expenditure amounting to Rs.30,953,942 for the preceding year.

2.2 **Revenue Administration**

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

Information on the estimated revenue, actual revenue and the arrears of revenue relating to the year under review as presented by the Mayor is shown below.

	Item of Revenue -----	Estimated -----	Actual -----	Cumulative Arrears as at 31 December -----
		Rs. '000	Rs. ' 000	Rs. '000
(i)	Rates and Taxes	47,396	36,762	27,291
(ii)	Lease Rent	13,332	12,809	18,095
(iii)	Licence Fees	1,208	1,292	546
(iv)	Other Revenue	162,605	150,027	58,645

2.2.2 **Rates and Taxes**

Rates and taxes in arrears as at 31 December 2012 amounted to Rs.25,840,902 and this included balances over Rs.5,000 amounting to Rs.2,203,399.

2.2.3 **Other Revenue**

Other revenue in arrears amounted to Rs.123,591,651 and this included balances in arrears totaling Rs.6,950,334 relating to 1-3 years; balances in arrears totaling Rs.4,107,844 relating to 3-5 years and balances in arrears totaling Rs.4,728,852 relating to over 05 years with regard to Gampaha Head Office itself.

2.2.4 **Court Fines**

Court fines had been recovered from the Gampaha Courts only up to year 2007 as at 31 December 2012.

2.3 **Idle and Underutilized Physical Resources**

The following observations are made.

- (a.) Six vehicles valued at Rs.909,100 owned by the Council had remained unused and in decayed condition for over 06 years, without action being taken to dispose of or to repair and use and machinery valued at Rs.789,760 of which the idle period cannot be find out also had remained unused.
- (b.) The water bowser which was not in running condition since 26 January 2010 had been parked in the Council premises unsafely even as at 10 June 2013; the date of audit examination without being repaired.
- (c.) 45 stalls owned by the Council had been idling without being called for tenders.

2.4 **Uneconomic Transactions**

The following observations are made.

- (a.) A sum of Rs.675,000 had been paid for using the private vehicle of the Mayor, due to the accident to the official vehicle used by the Mayor and due to the delay of repairing it although it could have been repaired without delay. Further, the cab assigned to the Fire Fighting Section had run 6,275 km for the Mayors official duties and an expenditure of Rs.103,088 had been incurred on that.

- (b.) Milage amounting to Rs.948,350 had been paid to the Municipal Members during the year under review on the approval of the Mayor without proper authority and this milage had been paid to them in respect of carrying out official duties such as supervision of decentralized projects, supervision of Local Government Criterion Gant' projects, supervision of maintenance of street lamps, maintenance of roads and drainage systems etc. assigned to the Technical Officers, Public Health Inspectors and Works Oversears of the Council. However, the Council had not planned in advance about the works to be carried out and a performance report on the works carried out had not been submitted to the Council.
- (c.) A sum of Rs.5,569,356 had been spent from January 2012 to June 2013 for hiring outside vehicles and if the above money had been spent to purchase tractors and three wheelers, the money could have been retained with the Council and utilize for future activities.

2.5 **Unauthorized Transactions**

The following observations are made.

- (a.) The Chief Valuer's Report on 51 stalls constructed at the Colombo Bus Stand under City Development Project had been handed over to the Council on 23 May 2008 and 23 June 2008. The lessees had been informed to pay the new assessed rent and the Council had decided to reduce the rent and write-off the amount billed as per new assessment from the register. Accordingly, a sum of Rs.1,768,500 relating to the period from 01 August 2008 to 31 July 2009 had been written-off through Journal Entry No.17 of 2009 and the approval of the Minister in terms of Section 266(a) of the Municipal Council Ordinance had not been obtained for this. It had been informed by letter No.LGD/06/02/04/M06 dated 04 March 2013 of the Commissioner of Local Government to submit explanations for the deviation from the formal procedure and to enter the relevant amount in the register as amounts recoverable and to take necessary action

accordingly. However, action had not been taken accordingly even as at 28 June 2013.

- (b.) According to the instruction of Letter No.LGO/05/19 dated 21 March 2012 of the Chief Minister of the Western Province the maximum Fuel limit for the Mayor should be pre-decided by the Council through a resolution. Nevertheless fuel expenses amounting to Rs.1,205,663 had been incurred for the vehicle of the Mayor during the year 2012.

2.6 **Construction of the Yakkala Shopping Complex**

According to the agreement entered on 22 December 2008 between the Urban Council and the contractor for construction of the Yakkala Shopping Complex the amount agreed was Rs.96,960,742 (excluding tax) and the contract period was 09 months. The following observations are made.

- (a.) Even though more than 3 1/2 years had passed since the date of agreement as at 28 June 2013; the date of audit examination, only a very small part of the works had been completed.
- (b.) The Council had paid a sum of Rs.43,497,091 (including the 20% advance) to the contractor at 05 instances This project had been delayed for over a number of years and therefore it is observed that the expenditure incurred had no effective usage.
- (c.) The bank guarantee submitted for the advance of 20% had lapsed o 24 February 2010 and action had not been taken to extend the validity period even as at 28 June 2013.
- (d.) The Council had decided to complete the balance work; to increase the prices by 20%, and to make payments according to the price variations with effect from February 2012 due to the delay in the construction works. Accordingly, a sum of Rs.1,037,027 on 20% price increase, a sum of Rs.160,927 on price variances,

totaling Rs.1,197,954 had been paid by the Council and it is observed that this is a loss to the Council.

- (e.) The Council at its general meeting held on 05 April 2012 had decided to enter into an agreement to complete the balance works within a particular period. However, action had not been taken accordingly even by 28 June 2013.
- (f.) A physical check carried out on 28 June 2013 observed that the construction works have been abandoned; the site has been over-grown; the thieves had cut and taken away the iron bars of the stalls of the 1st floor; there are water leaks in the stalls constructed and that there is a possibility of using the stalls constructed for abuses.

2.7 Computerization of Office Functions

A sum of Rs.1,637,000 had been paid to a private institution during the year under review for obtaining software required for computerizing the office functions needed by the Council.

The following matters were observed in this connection.

- (a.) A formal letter of acceptance had not been issued to the tenderer in terms of Paragraph 8.9 of the Government Procurement Guidelines.
- (b.) Performance security deposit had not been obtained in terms of Paragraph 5.4.8 of the Government Procurement Guidelines.
- (c.) According to the bid documents submitted 25% should be paid while entering into agreement to purchase the software and 25% should be paid after installing the software system and 50% should be paid after providing the training, nevertheless, an amount of Rs.1,318,500 had been paid as at 31 December 2012. There was no certificate of completion of system installation in terms of Section 08.12.12 of the Government Procurement Guidelines and the relevant officers had not been trained even by 28 June 2013; the date of audit. Accordingly, the money payable after providing training had been paid prior to training.

- (d.) Although a period over 01 year had passed since the date of agreement up to date; the computer software had been operated only in respect of rates and other revenue and the functions of the other Sections were limited to basic levels.

2.8 **Vehicle Utilization**

The following observations are made.

- (a) The Council owned a fleet of 42 vehicles and of this 10 vehicles not in running condition had been parked unused for over 06 years.
- (b) There was no officer-in-charge of the vehicles and it was observed that the vehicles had been used by the Sections for various purposes and there was no proper internal control in operation.

2.9 **Fulfillment of Environmental and Social Responsibilities**

(a) Disposal of Waste

A sum of Rs.5,008,922 to a private institution for disposal of waste, Rs.700,000 for the land taken on lease and Rs.3,825,000 for dumping waste; totaling Rs.9,533,922 had been paid to outside parties during the year 2012. In addition, fuel and maintenance expenses of the Council vehicles used for the above works amounted to Rs.3,357,887 and the amount paid for hired vehicles during the year amounted to Rs.3,970,570.

- (b) According to Section 130 of the Municipal Council Ordinance, waste is a property of the Council. However, the Council had failed to sort-out the waste at the places where it originate and properly recycle the sorted out waste or to use it for producing compost. Therefore the Council had to spend a huge amount of money for disposal of waste, even though the waste is a property of the Council.

2.107 **Staff Administration**

Information on the approved and actual cadre of the Council as at 31 December 2012 is shown below.

Category of Posts	Approved	Actual	Vacancies/ Excesses
-----	-----	-----	-----
Staff Grade	05	05	-
Secondary Grades	128	106	22
Primary Grades	187	139	48
Contract Basis	-	77	-

The following observations are made.

- (a.) The post of Municipal Commissioner had been vacant since January 2005 and a retired officer had been recruited on contract basis since 2011 and his service had been extended continuously once in 06 months.
- (b.) The Council had not taken action to fill the vacancies of the post of Revenue Inspector of the Secondary Grade and 10 posts of Fire Fighting Section.
- (c.) A sum of Rs.10,259,980 had been paid for employing 77 persons on contract/ casual basis under primary staff during the year under review. Nevertheless, an attendance register had not been maintained to record their attendance.

A sample check carried out revealed that check-rolls had been prepared for employees not mentioned in the reports of assigning duties at the Health Section as shown below.

Month	No. of Employees	No. of Days
-----	-----	-----
January 2012	21	164
February	22	193
September	16	52

3. **Systems and Controls**

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

- (a) Accounting
- (b) Internal Audit
- (c) Revenue Administration
- (d) Assets Management
- (e) Vehicle Utilization