

## **Biyagama Pradeshiya Sabha**

### **Gampaha District**

#### **1. Financial Statements**

##### **1.1 Presentation of Financial Statements**

The Financial Statements for the year under review had been submitted to Audit on 30 March 2016 and the Financial Statements for the preceding year had been presented on 01 April 2015. The report of the Auditor General for the year under review was issued to the Secretary of the Sabha on 08 July 2016.

##### **1.2 Qualified Opinion**

In my opinion, except for the effect of the matters referred to in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Biyagama Pradeshiya Sabha as at 31 December 2015 and its financial performance for the year then ended in accordance with generally Accepted Accounting Principles.

##### **1.3 Comments on Financial Statements**

###### **1.3.1 Accounting Deficiencies**

The Following accounting deficiencies were observed.

- (a) Although 1,216 books valued at Rs. 101,098 identified as unusable as at the verification of libraries relating to the year 2014 had been written-off from the registers, it had not been written-off from the accounts for the year under review.
- (b) For ton Bacho Loader and Forton Lorry donated by the Department of Local Government (Western) during the year 2015 had been capitalized at the insurance value of Rs.19,695,000 instead of accounting at the actual value of them.
- (c) Weapons and accessories valued at Rs. 450,860 and the equipment valued at Rs. 345,835 purchased during the year 2015 had not been brought to account during the year under review.
- (d) The crematorium of the Gal-edanda Sepala Cemetery to the value of Rs. 14,398,398 that had been completed on 13 November 2015 had not been capitalized under land and buildings during the year under review.

- (e) The dormant creditor account balance of Rs. 6, 748,289 had been adjusted to the accumulated fund by Journal Entry 52 without taking any follow-up action about the balances or without the approval of the Commissioner of Local Government.
- (f) Arrears of industries and business tax and arrears of Thuru Sevana (Rooms) as at 01 January 2015 amounting to Rs. 1,330,860 and Rs. 269,760 respectively had not been taken into accounts during the year under review.

### 1.3.2 Lack of Evidence for Audit

Transactions valued at Rs. 26,410,282 could not be satisfactorily vouched in audit due to the non-submission of required evidence to audit.

## 2. Financial Review

### 2.1 Financial Results

According to the Financial Statements presented, the excess of revenue over recurrent expenditure for the year ended 31 December 2015 amounted to Rs.88,209,496 as compared with the excess of revenue over recurrent expenditure amounting to Rs. 25,624,929 for the preceding year.

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Actual Revenue and Revenue in Arrears

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

Item of Revenue	Estimated Revenue Rs.000	Actual Revenue Rs.000	Arrears as at 31 December Rs.000
(i.) Rate and Taxes	66,843	72,775	51,061
(ii.) Lease Rent	4,190	2,491	4,078
(iii.) Trade Licence Fees	2,736	688	3,759

#### 2.2.2 Lease and Taxes

The balance of rates and taxes in arrears as at 31 December 2015 amounted to Rs.51,061,827 and this include a balance of Rs. 12,478,121 in arrears over 05 years, and a balance of Rs.27,656,193 in arrears for 03 to 05 years.

### 2.2.3 Industry and Trade Licence Fees

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The following matters were observed.

- (a) Although a survey of industries and business locations had been carried out for the year 2015, action had not been taken to recover trade licence fees from 453 business locations identified.
- (b) A sum of Rs. 1,330,860 in respect of 1673 business locations within the area of Delgoda Sub-office and industry and business tax amounts to Rs. 772,200 within the area of Kadawatha Sub-office and been in arrears for over 05 years. However, action had not been taken to recover these arrears. The secretary had informed me on 29 June 2016 that a survey carried out on these business locations revealed that there are no such business locations, and that the relevant businessmen cannot be traced.

### 2.2.4 Lease Rent

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The following matters were observed.

- (a) The private lands within the area of Delgoda Sub – office had been obtained by the Sabha one lease rent and given to outside parties to run meat stalls, fish stalls and the fair after calling for tenders. But, action had not been taken to recover the lease rent of Rs. 1,654,612 due to the Sabha. The Secretary informed me that a survey carried out on these business places had revealed that there are no persons by such names and that these arrears cannot be recovered.
- (b) Rent of business locations in arrears as at 31 December 2015 amounted to Rs.5,712,265 and this induced lease rent in arrears for over 5 years amounting to Rs. 2,041,689 with regard to lease of stalls at the Kadawatha Market site and the lease rent in arrears for periods 1 year to 05 years amounting to Rs. 2,668,432.
- (c) The stalls of the Bandarawatta, Biyagama owned by the Pradeshiya Sabha had been demolished during the year 2012 and the arrears of lease rent due from 22 stalls for periods from 11 to 46 months amounted to Rs. 343,700. Action had not been taken to recover this money up to 08 June 2016. The Secretary informed me that the Sabha had received a sum of Rs. 15 Laks during the year 2013 for payment of compensation based on assessment value while carrying out development works by the Road Development Authority.
- (d) According to the Circular No. 1980/46 dated 31 December 1980 of the Commissioner of Local government on “Lease of Stalls” the lease rent once assessed should be revised at least once in 5 years. However, the last assessment of stall rent had been done in the year 2008 in respect of 58 stalls at the General Market site owned by the Kadawatha sub-office.

### **2.2.5 Court Fines**

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According to the latter No. බප/ආදා/කො/පොදු dated 13 January 2011 of the Commissioner of Revenue (WP); the Secretary of the Pradeshiya Sabha should submit requests to the Commissioner of Revenue (WP) to recover the fines (fines under the Excise Ordinance and Dangerous Drugs Act) levied by Courts of the Western Province in terms of the Statute No. 04 of 1994 on Court Fines and Transfer of Fines; within 05 years from 31 December of the year of fines levied with the records certified by the Registrar of Courts or an officer nominated by him. However, the Secretary of the Pradeshiya Sabha had not acted accordingly.

### **2.2.6 Transmission Tower Charges**

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Action had not been taken to identify all the Transmission towers within the area of the Sabha and recover charges based on the schedule in terms of Schedule V (Direction No.3) of the Gazette Extra ordinary No.1597/8 dated 17 April 2009 of the Republic of Sri Lanka. Kadawatha and Makola Sub-offices had identified 07 towers during the year 2015 but, recoveries had not been made in terms of the gazette notification.

## **3. Operational Review**

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### **3.1 Idle and Underutilized Assets**

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The physical audit examination carried out on 08 June 2016 revealed that the motor cycle and 02 hand tractors owned by the Pradeshiya Sabha is lying idle in the stores among the condemned items for over 10 years without taking any action and that a covered tractor trailer which can be used for waste transportation is lying underutilized in the temporary waste collection yard.

### **3.2 Uneconomic Transactions**

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The Sabha possess adequate vehicles such as 09 Tractors, 04 Three Wheelers, 04 Motor Bicycles. However 08 Tractors, 01 Tipper, 01 Lorry and 04 there Wheelers had been obtained on hire for the works of Heath, Roads, Electricity Divisions and hire charges amounting to Rs. 7, 219,150 had been paid during the year under review.

### **3.3 Irregular Transactions**

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- (a) A sum of Rs. 376,700 had been paid for participation in Planning Committees. But there were disagreements with the records (Register and Finger Prints Machine) maintained to enter the arrivals and departures with regard to Planning Committees, and there were instances where the Finger Prints Machine not being used.
- (b) The following matters were observed in respect of the approval of the Sub-division Plan for 04 Acres 03 Roods 2.70 ‘perches during the year under review.

- (a) According to the Direction No. 22(1) of the Gazette No. 935/6 dated 06 August 1996 of the Republic of Sri Lanka; 10% of the land should be allotted and vested with the Pradeshiya Sabha by a title deed for community activities and open air purposes. However, vesting had not been done even as at 08 June 2016; the date of audit examination.
- (b) Although the following development works relating to the Sub-division plan should be carried out; it was observed at the physical examination carried out on 08 June 2016 that these works had not been carried out.
- i. Supply of pipe water and electricity.
  - ii. Although concrete drains with traps should be constructed to drain rain water, drains had been constructed only on one side of the road and the road had not been concreted or tarred.
  - iii. Small concrete metal had been spread on the surface of the road and the metal had been washed away by rain water.
  - iv. Although a suitable land should be allotted to the Sabha for community activities; 57.6 perches had been allotted at 03 places as lot No. 20, 37 and 55. Only the lot No. 20 with an extent of 10.6 perches had been surrounded by a concrete wall and the lot No. 37 is a sloppy and triangular plot. Therefore it is observed that the respective objective is not achievable as the allotment for common facilities had been done at 03 places.
  - v. The Technical Officer and the Works Superintendent had recommended the Sub – division stating that the development works of the land has been completed and the Secretary has given approval for the Sub – division on 31 March 2016.
  - vi. According to the information obtained from the Land Registrar’s Office, Gampaha on 15 June 2016; the total sales value of 05 lots of this land amounted to Rs. 16,214,000. Therefore 1% tax due amounted to Rs. 162,140. However only the approximate estimated amount of Rs. 54,285 had been recovered by the Sabha.

### 3.4 Contract Administration

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- (a) Estimates had been prepared under the village Upgrading Programme parallel to the “100 Days Special Development Programme for 03 projects i.e. renovation of Pinthaliya Road, Culvert of Pahala Biyanwila – East; renovation of Community Hall of Pahala Biyanwila – East and construction of ground floor of the Samagi Welfare Society Hall of Biyagama West. However, these projects had been cancelled by Letter No. බීස/4/5/ගම්.න.වැ./2015

dated 11 February 2016 of the Divisional Secretary as these constructions had not been carried out during the year under review.

- (b) Concreting of a few roads had been completed within 02 and 03 days under the Village Upgrading Programme parallel to the “100 days Special Development Project” and the standard of these roads has subjected to question in audit. Examples; Concreting of Kotthasha hena Road, Delgoda, Alulbowila, concreting of Darangama Kanatta Road and concreting of 350 Meters of the lower part of Galwala Road.

### **3.5 Operating Inefficiencies**

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- (a) The Commissioner General of Inland Revenue by his letter dated 17 March 2015 had informed that defaulted tax amounting to Rs. 1,580,069 relating to year 2010 and 2011 was payable and action had not been taken to settle this even as at 31 December 2015.
- (b) A total cost estimate had not been prepared in terms of paragraph 4.3.1 of the Government Procurement Guidelines while purchasing office equipment during the year under review and the specifications had not been mentioned in the letters for calling for quotations. Goods had been purchased without submitting acceptable reasons for rejecting lowest prices, and it was observed that a financial loss of Rs. 61,889 had been occurred in this connection.
- (c) A main procurement plan including the expected procurement activities at least for 03 years period and a detailed procurement plan for the ensuing year had not been prepared in terms of section 4.2.1 of the Government Procurement Guidelines dated 01 March 2006.

### **3.6 Solid Waste Management**

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The Following observations are made.

- (a) Approval of the Sabha had been obtained during 2014 for vesting of the bare land to the extent of 04 Acres 02 Roods 12.35 Perches to the Pradeshiya Sabha to construct a compost yard for separating waste and producing compost and a sum of Rs. 10,000,000 had been allocated for this. The approval of the Secretary of the Provincial Councils and Local Government had been sought in the year 2014 to acquire this land. The Sabha had been informed on 01 September 2014 to rectify the short – comings in the application and re – submit, It had been requested on 10 September 2014 to assess the land in order to complete the subsidiary records based on approximate value of the land to rectify the short – comings indicated in the said letter, and the assessment report had been received on 11 February 2016. Monetary Provision had not been made in the budget for the year 2015 to acquire the land.

- (b) Transport of waste had been assigned to a private institution without necessary action being taken to acquire the land. The waste is transported to the back – yard of the Sabha using the tractors belong to the Sabha and the tractors taken on hire and the Pradeshiya Sabha had to load waste to the contractors tractors too. A sum of Rs. 11,900 had been paid for each load waste removed by the contractor. A sum of Rs. 30,238,460 (approximately) had been paid for disposal of waste up to 08 June 2016; the date of audit examination, despite that waste should be a source of income of the Sabha.
- (c) Environmental issues had been arisen as bad smell spread out to the office and the neighborhood due to unloading of waste in the premises of the Pradeshiya Sabha and the fuel filling station adjoining to the Sabha had refused to issue fuel to the Sabha.
- (d) The very same method had been followed for the disposal of waste for over a number of years Although the waste should be separated at the place of generation, a method of “separate and dispose” had not been implemented even for the waste dumped in the Pradeshiya Sabha premises even as at 09 June 2016.
- (e) A sum of Rs. 30,238,460 had been spent for disposal of waste during the year under review and of this; a sum of Rs. 23,037,550 (76 percent) had been spent to transport waste dumped by the Sabha in the premises of the Sabha. This situation is questionable in audit.
- (f) The Sabha had not taken action for planning, supervision and controlling the activities as requested by section 22 of the by – laws on solid waste management and part IV (a) of the Gazette Extra – Ordinary No. 1713/11 dated 05 July 2011 of the Republic of Sri Lanka published on solid waste management.

#### 4. **Systems and Controls**

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

- a. Accounting
- b. Revenue Administration
- c. Assets Management
- d. Control over Contracts
- e. Solid Waste Management
- f. Human Resources Management
- g. Vehicle Utilization