

Biyagama Pradeshiya Sabha

Gampaha District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented for audit on 28 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman on 22 October 2018.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements of the BiyagamaPradeshiyaSabha give a true and fair view of the financial position as at 31 December 2017 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 Policies

An accounting policy for accounting fixed assets had not been identified. Fixed assets had not been identified by determining the minimum value needed for accounting fixed assets, nature of fixed assets and the life span. Instead, items with small values and with short life span which could not be sold for cash had been brought to account as fixed assets.

1.3.2 Accounting Deficiencies

The following matters were observed.

- (a) The stamp fees of Rs.70,604 paid to the Department of Inland Revenue had been debited to the Pre Payments Account.
- (b) The General Deposit Account had been debited twice while incurring an expenditure of Rs.10,000 on preparatory schools from the General Deposit Account.
- (c) The reimbursement due for 2014 on salaries paid to graduates had been understated in the accounts by Rs.20,000.

- (d) Retentions of Rs.8,698,145 to be reimbursed from other institutions under the Rural Infrastructure Facilities Development Special Programme had been brought to account as creditors of the Sabha.
- (e) The value of nine constructions of Rs.2,952,573 executed from the funds of the Sabha had not been capitalized.

1.3.3 Unreconciled Accounts

A difference of Rs.616,217 was observed between the balances of 2 items shown in the financial statements and the relevant subsidiary registers and reports.

1.3.4 Accounts Receivable and Payable

Accounts Receivable

- (a) The arrears of other revenue as at 31 December 2017 amounting to Rs.13,859,814 consisted of arrears of industrial tax of Rs.20,476,730, arrears of trade licences of Rs.1,321,566, arrears of rent of business centres amounting to Rs.6,472,769 and the arrears of lease rent of Rs.4,012,748. Age analysis pertaining to these balances had not been furnished to audit.
- (b) Action had not been taken to recover the arrears of publicity advertisements of Rs.552,752 of the Makola sub office as at 31 December 2017

1.3.5 Lack of necessary documentary Evidence for Audit

Non rendition of Information for Audit

Seven items of accounts aggregating Rs.204,830,300 could not be satisfactorily verified in audit due to non rendition of schedules and board of survey reports.

1.3.6 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with laws, rules, regulations and management decisions appear below.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance
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	Rs.	
(a) Public Administration Circular No.30/2016 of 29 December 2016	-	Consumption of fuel by vehicles of the Sabha had not been tested.
(b) Circular relating to lease of stalls No.1980/46 of 31 December 1980 issued by the Commissioner of Local Government	-	The assessed lease rent should be revised at least once in five years. However, the assessment for stall rent of 65 trade stalls at the public market belonging to the Kadawatha sub office had been finally done in 2008.

2. Financial 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 2017 amounted to Rs.94,521,293 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.87,204,422.

2.2 Financial Control

- (a) The sum of Rs.41.3 million belonging to the Sabha had been invested in 5 fixed deposits getting matured annually and a fixed deposit getting matured quarterly.
- (b) Three unrealized cheques valued at Rs.64,732 shown in the bank reconciliation statement of January 2015 continued to be brought forward till December 2017 without being settled.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2017				2016			
	Estimated Revenue Rs.	Revenue Billed Rs.	Revenue Collected Rs.	Total arrears as at 31 December Rs.	Estimated Revenue Rs.	Revenue Billed Rs.	Revenue Collected Rs.	Total arrears as at 31 December Rs.
Rates and Taxes	77,265,163	84,112,658	87,248,731	39,325,980	74,793,025	85,298,336	97,111,116	42,085,803
Rent	5,058,860	4,788,946	4,667,968	10,485,518	4,110,000	4,543,531	3,969,701	10,364,539
Licence Fees	1,062,000	1,120,183	1,149,184	1,321,566	1,500,000	877,754	925,204	1,350,566
Other Revenue	233,943,600	-	200,343,001	-	213,002,800	-	232,243,000	-

2.3.2 Performance in Collection of Revenue

The overall arrears of revenue as at 31 December 2017 amounted to Rs.51,333,972 and an age analysis of it appears below.

	1 - 3 years	5 - 10 years	Over 10 years	Overall arrears of Revenue
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	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	25,185,427	17,520,364	1,859,565	44,565,356
Industrial and trade tax	-	-	722,200	722,200
Rent of trade centres	56,900	4,321,222	1,501,544	5,879,666
Lease rent	-	116,750	-	116,750

				51,333,972
				=====

2.3.3 Rates and Taxes

A decrease in revenue amounting to Rs.19,047,301 was observed during the year under review as compared with the previous year. Meanwhile, the number of units of rates had increased by 799. Out of the overall arrears of revenue of Rs.51 million, 86 per cent represented the arrears of rates. Action had not been taken in terms of Section 158(1) of the Pradeshiya Sabha Act No.15 of 1987 in this connection.

2.3.4 Rent

- (a) The stall owners of "C" building of the Kadawatha sub office had filed a case regarding the new assessments made in 2003. Action had not been taken to recover the arrears of Rs.3,979,342 over 10 years from the stall owners.
- (b) The arrears due from 04 fish stalls over 05 years belonging to the Kadawatha sub office as at 31 December 2017 amounted to Rs.598,210.
- (c) The arrears due from 09 trade stalls of the "A" Building of the Kadawatha sub office over 05 years amounted to Rs.86,150. As these trade stalls are maintained by other persons, action had not been taken to recover the old arrears.
- (d) The arrears of rent of stalls of the Kadawatha sub office ranging from 5 – 10 years amounted to Rs.192,300. These stalls remained closed for many years.

- (e) The "A" Building of the public market was subjected to audit verification on 15 May 2018 and it was observed that stalls bearing numbers 04, 18, 19, 20, 21, 24, 26, 27,29, 30, 31 and 41 had been completely closed.
- (f) Seventy seven stalls belonging to the Kadawatha sub office had been given on rent without agreements from the period prior to 5 years.

2.3.5 Other Revenue

(a) Advertisement Boards

- (i) Although the target was to recover Rs.240,000 from the authoritative areas of Kadawatha and Makola sub offices in 2017, as per budget, a sum of Rs.131,500 only had been recovered.
- (ii) A proper register had not been prepared to include in the register of advertisement boards matters such as, name, date, amount, receipt number, place of exhibiting the name board and how it would be placed.
- (iii) Fees amounting to Rs.552,752 had not been recovered for 70 advertisement boards as per bye-laws relating to advertisement notices in terms of the Gazette Notification No.1947/16 of 28 December 2015 of the Democratic Socialist Republic of Sri Lanka.

(b) Telecommunication Towers

- (i) Action had not been taken to recover the arrears of Rs.112,941 receivable by the Sabha from 04 telecommunication towers as at 31 December 2017.
- (ii) Although there were 32 telecommunication towers within the area of the Delgoda Sub office, a survey had not been carried out to identify telecommunication towers and recover fees accordingly. A minimum of Rs.3,000 per tower should be recovered as business tax while installing telecommunication towers. However, this amount had not been recovered depriving the Sabha of its income that could have been recovered.

2.3.6 Court Fines and Stamp Fees

Court fines amounting to Rs.6,715,693 was receivable as at 31 December 2017 from the Chief Secretary of the Provincial Council and other authorities.

3. Operating Review

3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

(a) Bye-Laws

Bye-laws were required to be enacted to fulfil 30 main functions in terms of Section 126 of the Pradeshiya Sabha Act No.15 of 1987. But, bye-laws for 08 matters only had been enacted by 31 December 2017.

(b) Action Plan

An annual action plan had not been prepared for 08 functions to be fulfilled by the Sabha as per bye-laws enacted.

(c) Expected output level not achieved

Although a sum of Rs.7,000,000 had been spent to fulfil functions amounting to Rs.15,000,000 as per estimates shown in the action plan, the expected output level had not been achieved.

(d) Projects not commenced

Fifteen projects valued at Rs.7,720,197 obtained from various sources during 2017 had not been commenced.

(e) Solid Waste Material Management

A sum of Rs.28,511,499 had been spent as at 31 December 2017 on behalf of Solid Waste Material Management within the BiyagamaPradeshiyaSabha area. The following matters were observed in this connection.

- (i) About 45 tons of garbage gets collected daily within the authoritative area of the Biyagama Pradeshiya sabha of 61.1 sq.kilometres. Although it had been segregated as degradable and non-degradable, it had been heaped at the Delgoda Garbage Sector.
- (ii) It had been agreed to pay Rs.11,900 per tipper load of garbage for disposal of garbage by a private institution. The employees of the Sabha transports the

garbage collected by a JCB machine to the Delgoada Garbage Exchange Centre for loading in tippers and the expenditure incurred by the Sabha in this connection amounted to Rs.422,122 which should have been incurred by the institution concerned as per agreement.

- (iii) According to the register maintained at the Garbage Sector, a sum of Rs.19,718,300 had been paid to the private institution during the year under review. But, the details of disposal of garbage had not been entered in the register.
- (iv) An environmental licence had not been obtained for the Delgoda Garbage Exchange Centre.
- (v) Disposal activities had finally been made during 16 March 2016 to 15 March 2017 and the disposal activities for 15 March to December 2017 had also been entrusted to the same institution, deviating from procurement procedures.

(f) Sustainable Development Target

The Pradeshiya Sabha was unaware of the 2030 Agenda relating to the sustainable development objectives and as such a long term plan had not been prepared even by 07 June 2018 in order to uplift the living standards and health of the public of the Pradeshiya Sabha area through global index.

3.2 Management Inefficiencies

General Deposit Account

- (a) As a result of not entering all notes required to be entered in the register of General Deposits and by not balancing the miscellaneous deposit account, it was unable to confirm in audit whether the refundable deposits of Rs.27,519,237 as at 31 December of the year under review shown in the accounts was correct.
- (b) The balance of deposits amounted to Rs.30,797,925 as per details furnished to audit. This included balances of 02 to 05 years amounting to Rs.5,232,932 and Rs.12,581,580 over 5 years.
- (c) Deposits over 2 years aggregated Rs.17,814,512. Action had not been taken in terms of Financial Regulation 571 in this regard.

3.3 Human Resources Management

(a) Vacancies and Excesses in the Cadre

Details of approved and actual cadre of the Sabha as at 31 December 2017 appear below.

As at 31 December 2017				
Grade	Approved Cadre	Actual Cadre	Vacancies	Excess
Senior	03	03	-	-
Tertiary	01	01	-	-
Secondary	56	53	05	02
Primary	134	125	09	-
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	194	182	14	02
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The following matters were observed.

- (i) Approval for 05 posts of revenue inspectors had been granted. However, there were vacancies for 04 posts.
- (ii) Eight officers had been entrusted with duties not relevant to the permanent posts for which they had been recruited.
- (iii) The contributions to provident fund relating to employees of the Sabha who were not entitled for pensions should have been paid to the Public Service Provident Fund. However, the contributions of employers and employees aggregating Rs.239,590 for 2014 to 2017 had been credited to the Employees' Provident Fund.

(b) Employees' Loans

- (i) The loan balances of employees over 10 years with regard to those who had gone on transfers/suspended from service amounted to Rs.42,014 and the loan balances over 02 years of employees who had vacated posts amounted to Rs.66,428.
- (ii) The no pay leave recoverable from 11 employees as at 31 December 2017 amounted to Rs.177,685.

3.4 Operating Inefficiencies

Lack of periodical assessment of rates

According to the Special Provision Act No.48 of 1971 of Local Authorities, the assessment of rates should be made every 05 years with the assistance of the Department of Valuation. However, the rates for the year under review had been determined on the basis of the 2008 valuation.

3.5 Assets Management

3.5.1 Assets not Acquired

The register of fixed assets included the details of 29 crematoriums and 14 community centres. Action had not been taken to vest them with the Sabha.

3.5.2 Idle /Under utilized assets

Four vehicles had been allowed to get corroded by allowing them to idle for over 05 years by 17 May 2018.

3.5.3 Annual Board of Survey

- (a) Verification of land, buildings and motor vehicles had not been carried out.
- (b) Books valued at Rs.43,624 had been misplaced according to the Board of Survey report of the library as at 31 December 2017.

4. Accountability and Good Governance

4.1 Budgetary Control

The estimated provision for 18 budgeted items of the year under review amounting to Rs.641,000 had been completely saved whereas over Rs.50,000 had been saved in 36 Objects showing that the budget had not been utilized as an efficient instrument of management control.

4.2 Internal Audit

Although there were internal audit officers in the Sabha, adequate internal audit had not been carried out. There was no evidence to show that internal audit queries had been issued. An internal audit programme had not been prepared and furnished to audit for the year 2017.

5. **Systems and Controls**

Deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of control.

System	Deficiency
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(a) Accounting	(i) Accounting books and registers had not been updated and maintained.
(b) Assets and Properties	(i) Purchase of assets not being entered in registers. (ii) Assets which were physically not available not being deleted from accounts. (iii) Lack of title deeds or vesting orders to confirm ownership of assets. (iv) The policy of accounting for fixed assets not being formulated. (v) Non maintenance of register of inventories. (vi) Assets not being verified annually.
(c) Contract Administration	Lack of proper preparation of estimates and agreements.