

Gampaha 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 22 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman on 26 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 Gampaha Pradeshiya Sabha 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

A policy for accounting fixed assets had not been identified. Fixed assets had been taken into account without considering the minimum value, life span of the assets, the ability to obtain cash by selling etc., which are requirements for accounting them as assets.

1.3.2 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) A tractor and a trailer, motor vehicles and carts valued at Rs.04 lakhs with title deeds belonging to the Ministry of Finance had been included in the accounts.
- (b) Electricity bills paid by the Sabha on behalf of stalls given on lease amounted Rs.189,719. The debtors account for reimbursement of this amount due from stall holders had been understated by Rs.18,344.
- (c) The contributions of Rs.1,133,005 to the Employees' Provident Fund payable for 22 employees had been shown as revenue of the Sabha. Provision for creditors had not been made in this regard.

1.3.3 Unreconciled Accounts

The difference observed between the balances in the financial statements and the balances in the subsidiary registers and reports relating to 07 items of accounts amounted to Rs.18,118,514.

1.3.4 Accounts Receivable and Payable

Accounts Receivable

- (a) The electricity bills amounting to Rs.103,634 paid by the Sabha on behalf of 10 stalls for the period January 2016 to June/July 2017 had not been recovered from the stall holders even by end of the year under review.
- (b) The amount receivable for 22 projects in 2014 amounted to Rs.2.2 million and the amount receivable for 08 projects in 2015 amounted to Rs.1.1 million.
- (c) Action had not been taken to recover the Goods and Services Tax of Rs.1,614,551 for the period 2007 to to 31 July 2008.

1.3.5 Lack of Necessary Documentary Evidence for Audit

Non rendition of Information for Audit

Six items of accounts amounting to Rs.227,984,373 could not be satisfactorily verified in audit due to non-rendition of related evidence.

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) Special Provisions Act relating to Local Authorities No.48 of 1971	-	Assessment of rates to be done every 05 years had not been done after 2002.
(b) 1988 Pradeshiya Sabha (Finance and Administration) Rules		
(i) Rules 180 and 181	-	Action had not been taken to obtain security deposits from 05 other

officers including the Secretary of the Sabha and Ayurvedic Medical Officers.

(ii) Rule 193

- Surpluses and deficits under each item of revenue and the surplus or savings under each object should be explained by means of a statement prepared as at 31 December of each year and furnished to audit. This had not been done.

(c) Condition No.18 of the Lease agreement

The lessee is prohibited to sell to other persons, vest, mortgage, sub let or conduct business with any partners, the properties leased out to him without written permission of the lessor. However, many stalls had been sub let by lessees.

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.66,591,252 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.57,253,966.

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	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	18,543,690	18,399,205	19,627,496	35,364,629	23,750,000	19,581,197	19,287,095	36,949,463
Rent	10,335,518	8,204,817	9,737,221	3,694,348	7,530,000	8,565,990	10,695,576	4,522,038
Licence Fees	1,284,475	525,550	1,031,573	-	1,752,500	270,500	1,359,961	1,255,958
Other Revenue	16,685,000	-	8,854,423	-	20,454,802	-	8,901,281	-

2.2.2 Performance in collection of Revenue

The revenue collected during the year under review amounting to Rs.39.2 million had dropped by Rs.1 million as compared with the revenue collected during the previous year which amounted to Rs.40.2 million. Decrease in revenue from rent by Rs.958,355 and decrease in licence fees by Rs.328,388 had attributed to this.

2.2.3 Rates and Taxes

- (a) The recovery of rates from 52,471 units of rates had been based on the assessment of properties of 2002.
- (b) The arrears of rates due from 34,892 units as at 31 December of the year under review amounted to Rs.35.36 million which included Rs.8.9 million of 01 to 05 years, Rs.6.9 million of 05 to 10 years and Rs.19.4 million over 10 years.

2.2.4 Stall Rent

- (a) The electricity bills of Weliveriya week end fair should be monthly settled by the lessees per lease agreement. However, the Sabha had made payments for electricity during 2016 and 2017 which amounted to Rs.132,182.
- (b) Many vehicles had been parked at the week end fair premises daily. But, the Sabha had not developed it as a car park to earn revenue.
- (c) The arrears due from Weliveriya public market as at end of the year under review were Rs.462,420 from 05 stalls, Rs.64,000 from a fish stall, Rs.1,408,000 from a stall belonging to the Galahitiyawa sub office and Rs.521,802 from 12 stalls of Gampaha.

2.2.5 Other Revenue

(a) Environmental Licences

- (i) Fifteen institutions of the area which should obtain environmental licences had not obtained them.
- (ii) Renewal for business licences lapsed 03 years ago had not been requested by 06 institutions.
- (iii) A survey had not been carried out as at commencement of 2017 regarding institutions which should obtain environmental licences within the area.

(b) Revenue from Notice Boards

- (i) Fees should be recovered from all notice boards within the area of the Sabha in terms of Sections 122 and 126 of the Pradeshiya Sabha Act No.15 of 1987 and the first schedule of bye-laws relating to publicity notices published in the Local Authorities Act (Accepted bye-laws) No.06 of 1952 published in the Gazette Extra Ordinary No.1947/6 of 28 December 2015. However, fees had not been recovered for 24 publicity notices and 08 banners.
- (ii) A register of publicity notices had not been maintained at the Galahitiyawa sub office.

(c) Revenue from Telecommunication Towers

- (i) All telecommunication towers established within the area of the Sabha as per list of the Telecommunication Regulatory Commission should be identified and revenue should be collected in terms of Section V of schedule V of the Gazette Extra Ordinary No.1597/8 of 17 April 2009. However, fees had not been recovered from all the 26 towers within the area of the Gampaha sub office.
- (ii) Action had not been taken to obtain revenue from institutions which have fixed wave exchange equipment in their telecommunication towers within the area of the Sabha.

2.2.6 Stamp Fees and Court Fines

Court fines of Rs.10 million and stamp fees of Rs.77.4 million were due 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

Although 17 bye-laws were requested to be enacted for fulfilling 17 main functions as per Section 126 of the Pradeshiya Sabha Act, bye-laws had only been enacted for 15 functions even by 31 December 2017.

(b) Action Plan

Although an annual action plan had been prepared for the functions to be fulfilled as per bye-laws enacted, 1 function included in the action plan 2017 could not be executed. Progress reports had not been prepared in accordance with the action plan so that the progress of performance and the financial progress could be examined periodically.

(c) Expected Benefits not Obtained

Six stalls of the ground floor of the Weliveriya public market remained without expected benefit since 2014 whereas 03 stalls remained so since 2016. Meanwhile, 02 stalls of the Pradeshiya Sabha building remained without the expected benefits since 2009/2010 whereas 02 stalls remained so since 2012.

(d) Work not Executed

Twelve work proposed to be executed during the year under review had not been executed even by 31 December 2017.

(e) Solid Waste Material Management

The capital expenditure and revenue expenditure incurred on disposal of garbage within the area of the Sabha amounted to Rs.389,838 and Rs.26.3 million respectively. About 320 tons of garbage generated during a month had been disposed of in a private land at Dambuwawaththa and a ground rent of Rs.5,987,700 per year had been paid to the owner of the land. But, an environmental licence had not been obtained for the place where garbage had been disposed of.

(f) Sustainable Development Target

The Pradeshiya Sabha was not aware of the 2030 Agenda relating to the sustainable development objectives, As such, a long term plan to uplift the living standards and health of the public within the Pradeshiya Sabha area through global indicators for those objectives had not been prepared even by 14 August 2018.

3.2 Management Inefficiencies

- (a) Four stalls of the public market given for a rent of Rs.2,000 to Rs.4,000 had been sub let for monthly rents ranging from Rs.6,000 to Rs.15,000 contravening the conditions in the lease agreement.
- (b) Distraing orders had been issued to persons who owed arrears of rates without issuing prior red notices with details and 19,000 red notices were in the stores without being issued since 2011.

- (c) Applications for issue of trade licences for 2017 had been referred to the office of the public health inspector. But, there were delays in approvals and returns.
- (d) Deposits amounting to Rs.101,230 obtained on behalf of damages and repairs to roads caused for obtaining drinking water during the period 01 January to 13 July 2016 had not been utilized for the said purpose.

3.3 Human Resources Management

- (a) Details of approved and actual cadre as at 31 December of the year under review appear below.

Grade	Approved Cadre	Actual Cadre	Vacancies	Excess
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Executives	01	02	-	01
Tertiary	01	01	-	-
Secondary	53	52	01	-
Primary	118	105	13	-
As per Circular 25/2014	09	09	-	-
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	182	169	14	01
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- (b) Vacancies in the approved cadre as at 31 December of the year under review were, one electrician, an assistant librarian, 03 K.K.S, 04 work/field labourers, a sanitary labourer and 02 drivers.
- (c) Action had not been taken to recover Rs.141,600 from an officer who had vacated post.
- (d) A technical officer had been temporarily released to work in Parliament for a period of one year from 10 November 2017.
- (e) Six officers who should furnish security deposits had not furnished security deposits.
- (f) The balance of employees' loans due from 05 officers had been overstated by Rs.263,368 and the balances of employees' loans due from 03 officers had been understated by Rs.10,000 in the Employees' Loan Account.

3.4 Assets Management

3.4.1 Assets not Recorded

Land and buildings valued at Rs.146.6 million, machines and equipment valued at Rs.3.9 million and motor vehicles and carts valued at Rs.3.9 million had not been entered in registers of fixed assets.

3.4.2 Lack of Maintenance and Repairs

A tractor and a trailer had been lying in a dilapidated condition at the vehicle pool for a long time. But, action had not been taken to suitably repair them or to dispose of those items.

3.4.3 Assets not Acquired

Title deeds had not been prepared by resolving ownership with regard to 18 land.

3.4.4 Idle/Under Utilized Assets

- (a) A centric water pump in a very good condition had been lying idle at the Imbulgoda library.
- (b) The Ministry of Local Government and Provincial Councils had given 448 GI pipes of 1 ¼ inches valued at Rs.434,175 on 17 November 2014. These were idling.

3.4.5 Annual Board of Survey

- (a) Fixed assets including land and buildings, motor vehicles and carts and machinery belonging to the Sabha had not been verified in terms of the Pradeshiya Sabha (Finance and Administration) Rule 203.
- (b) According to the Board of Survey report of the library for 2017, 461 books of 05 libraries valued at Rs.64,807 had been misplaced.
- (c) No action, whatsoever, had been taken regarding 36 books valued at Rs.7,449 borrowed, but not returned.

3.5 Procurement

3.5.1 Annual Procurement Plan

The main procurement plan and the annual detailed plan had not been prepared in terms of 4.2.1 (b) and (c) of No.8 of the National Procurement Agency Circular dated 25 January 2006.

3.5.2 Contract Administration

A community based organization should not be engaged in more than 03 contracts at the time of undertaking a contract as required by Section 3.3 of the State Accounts Circular No.01/2012 of 05 January 2012. However, 04 contracts valued at Rs.14 lakhs had been entered into with the Enbilayaya Farmers' Organization on 01 August 2017.

4. Accountability and Good Governance

Budgetary Control

The total estimated provision of Rs.9.09 million allocated for 21 Objects had been saved either due to abandonment of the expected functions or as there was no need for them. Accordingly, the expected plans had not been correctly identified while preparing the budget.

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) Revenue Administration	(i) Non assessment of properties in an updated manner. (ii) Action not being taken to recover arrears of revenue.
(b) Solid Waste Material Management	(iii) Non identification of new sources of revenue. (i) Public not made aware of collection and disposal of garbage. (ii) Non recovery of garbage tax.
(c) Assets Management	(i) Lack of title deeds. (ii) Non maintenance of register of assets (iii) Asset without cost not being assessed for accounting.
(d) Budgetary Control	(iv) Lack of verification of fixed assets. (i) Non utilization of estimated financial provision. (ii) Over provisions.