

Gampaha Pradeshiya Sabha

Gampaha District

1. Financial Statements

1:1 Presentation of Financial Statements for Audit

The financial statements for the year under review had been presented for audit on 28 March 2011 and the financial statements for the preceding year had been presented on 25 March 2010.

1:2 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Gampaha Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in paragraph 1:3 of this report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Gampaha Pradeshiya Sabha as at 31 December 2010 and the financial results of its operation for the year then ended.

1:3 Comments on Financial Statements

1:3:1 Accounting Deficiencies

(a) Even though a stock of ayurvedic drugs valued at Rs.106,630 had been received as donations in the year under review that had not been brought to account.

(b) Even though Value Added Tax amounting to Rs.146,712 collected during the fourth quarter of the year 2010 had been paid in the year 2011, the balance of the Value Added Tax Payable Account had been shown as a recoverable (negative) balance of Rs.71,806.

- (c) In accounting for dishonoured cheques, the postage and Bank Charges thereon had been debited to the expenditure heads as an expenditure of the Sabha instead of adding to the value of the dishonoured cheques. As such a credit balance Rs.986 revealed in the Dishonoured Cheques Account as receipts in excess of the value of the dishonoured cheques had been shown as a deduction from the debtors instead of crediting as other revenue.
- (d) The value of a block of land 02 roods 06.55 perches in extent for common facilities and 02 roods 15.34 perches representing roads and drains transferred to the Sabha in connection with the blocking out and auctioning of Yakahatuwa Watta and Kele Idama in Emaraluwa, Weliveriya had not been assessed and capitalized under lands and buildings.
- (e) A sum of Rs.87,200 incurred for vehicle maintenances during the year under review had been capitalized instead of being accounting as recurrent expenditure.
- (f) Specific taxes amounting to Rs.16,951 withheld at 1 per cent and 5 per cent in the year under review for remittance to the Commissioner General of Inland Revenue during 05 instances had not been included in the balance of the refundable deposits.
- (g) Courts fines amounting to Rs.516,625 received in 09 instances in the years 2008, 2009 and 2010 had been brought to account as general deposits received instead of being brought to account as Courts fines to Revenue Head 1/73.
- (h) The stamp fees received in respect of the years 2008 and 2009 amounting to Rs.20,411,348 and a sum of Rs.15,898,865 only had been brought to account under stamp fees in the Revenue and Expenditure Account.
- (i) Even though trade stall No. 13 of the Pradeshiya Sabha Building had been recovered in January 2010, and a trade stall rent not recoverable for the period from the month of recovery up to November 2010 had been included in the Accounts Receivable.
- (j) The electricity charges of the trade stalls in the Pradeshiya Sabha Building Complex had been paid by the Sabha and recovered later from the

stallholders and that amount is credited to an account called Recoverable Electricity Bills. Nevertheless, the payments made for electricity bills and not recorded in this account and debited to a head of expenditure and expenditure of the Sabha. As such expenditure is overstated. In addition a balance of Rs.1,508 in the Electricity Charges Receivable (Trade Stalls) Account had been brought forward continuously.

1:3:2 Accounts Payable

The value of balances of Account Payable older than 01 year as at 31 December 2010 amounted to Rs.32,477,906.

1:3:3 Non-compliance with Laws, Rules and Regulations

Non-compliances with the provisions in the following laws, rules and regulations and management decisions were observed during the course of audit.

Reference to Laws, Rules and Regulations -----	Non-compliance -----
(a) Pradeshiya Sabha Act, No. 15 of 1987 -----	
(i) Section 24(1)(b)	A list of names of roads and lands belonging to the Sabha had not been prepared and published in the Gazette.
(ii) Section 158(1)	The arrears of balance of rates as at 31 December 2010 amounted to Rs.29,353,472 and out of that the balances over Rs.10,000 each relating to both Sub-offices totalled Rs.2,041,391. It was observed that the steps taken by the Secretary of the Sabha in terms of the Section under reference for the recovery of that amount had been effective.
(b) Pradeshiya Sabha (Financial and Administrative) Rules 1988 -----	
(i) Rule 59	The Revenue Inspection or an officer authorized

by the Chairman should, at the commencement of each year, prepared list of industries and business enterprises in the area of authority of the Sabha and submit to the Secretary of the Sabha on or before 31 March. But a list had not been prepared.

(ii) Rule 193

A statement as at 31 December clarifying the savings or the excesses on the provisions for the year had not been prepared.

(iii) Rule 202

Even though the Inventory Books should be balanced as at the end of each year and balances should be carried forward to the new year, Inventory Books had not been updated.

(iv) Rule 203

The Sabha had not appointed a Board at the beginning of January to conduct a complete survey of the properties of the Sabha.

(v) Rule 217

A Register of Fixed Assets in Form PS 46 had not been maintained on all the lands and buildings vested in the Sabha, used by the Sabha and occupied by the Sabha. The register maintained had not been updated.

(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

(i) Financial Regulation 110

A register had not been maintained for recording losses.

(ii) Financial Regulation 486

Deviating from the procedure to be followed on the dishonoured cheques, Dishonoured cheques Account had been opened in the General Ledger in the year under review. As at the end of the year there was a credit balance of Rs.158,599 in the account and that had been shown under creditors.

As an unrealistic creditor had been created, the actual creditors balance had been overstated by that amount.

- (iii) Financial Regulation 1647 A register showing all the information on motor vehicles had not been maintained.

(d) Circulars

- (i) Circular No. CG/96/46 dated 27 December 1996 of the Chief Secretary, Western Provincial Council Paragraph (ix) Fuel consumption of motor vehicles had not been tested once in six months.

- (ii) Public Financial Circular No. 364(4) of 27 August 2004. The bidder selected for disposal of garbage had not confirmed registration for Value Added Tax. The bid had not been rejected in terms of the circular.

1:3:4 Unreconciled Control Accounts

The balances of 11 items of account according to the Control Accounts totalled Rs.100,266,963 whereas according to the schedules thereof the balances totalled Rs.87,243,318.

2 Financial and Operating Review

2:1 Financial Result

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2010 amounted to Rs. 34,206,154 as compared with the corresponding excess of revenue over recurrent expenditure amounting to Rs.31,537,467 for the preceding year.

2:2 Financial Control

The following observations are made.

(a) Bank Accounts

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- (i) Action in terms of Financial Regulation 396(d) of the Republic of Sri Lanka had not been taken on a cheque for Rs.4,390 issued but older than 06 months shown in the Bank Reconciliation details prepared as at 31 December 2010 for the Current Accounts maintained at the Gampaha Branch of the People's Bank.
 - (ii) Even though the money collected in the Collection Accounts maintained at the Ganemulla Branch of the Bank of Ceylon had been transferred to the Head Office once in two months, action had not been taken to transfer the money at shorter intervals based on a certain amount of money. Money had been as transferred in seven instances in the year under review and the money transferred in each instance averaged Rs.2,500.000

(b) Deposits – Payments/ Receipts

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- (i) Withholding Tax at 1 per cent and 5 per cent retained in the Deposit Accounts from the year 2006 to 2009 amounting to Rs.636,950 continued to be retained without being remitted to the Commissioner General of Inland Revenue.
 - (ii) Action had not been taken in terms of Financial Regulation 570(c) of the Republic of Sri Lanka to examine the lapsed deposits and credit those to the Sabha Fund.

(c) Register of Advances

Even though the advances granted should be settled immediately after the completion of the purpose. The officers responsible had not taken action accordingly. As such prepayments and advances amounting to Rs.230,127 brought forward from the year 2002 continued to be carried forward.

(d) Register of Creditors

Out of the creditors allocated in the year 2009, balances amounting to Rs.4,344,531 had not been settled even by 31 December 2010. the unsettled creditors had been created due to the allocation of the savings under expenditure heads as creditors without specifically determining the creditor and the amount payable. Creditors balances amounting to Rs.46,788,227 had been carried forward as at 31 December 2009 and the value of the creditors balances shown for periods prior to the year 2007 amounting to Rs.5,550,434 could not be confirmed.

(e) Opening Stocks

Even though Stock Accounts should be maintained by adding the purchases in the year to the opening stock and crediting the value of stocks used each month to show the year and closing stock. Without taking action accordingly the opening stock for the year had been written off as the stocks used and the difference between the physical stock balance as at the end of the year and the purchases had been shown as the stocks used. As such it had not been possible to ascertain the stocks used actually and to direct the damage and shortages of stocks.

2:3 Revenue Administration

2:3:1 Estimated, Actual and Arrears of Revenue

Even though a request was made to the c\Chairman by my letter dated 07 February 2010 to furnish the position relating to the estimated revenue, an actual revenue and the arrears of revenue for the year under review and the preceding year in a specified format, such information for the year under review and the preceding year had not been furnished to audit.

2:3:2 Arrears of Rents

Out of the rates billed in the year under review, the recovery of a sum of Rs.401,443 remained uncertain due to reason such as bills issued on institutions closed down at present, erroneous assessment, unavailability of physical properties, objectives, etc.

Grand Total	279,020	221,214	57,806	169,524	182,659	(13,135)
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2:5 Human Resources Management

Approved and Actual Cadre

Information on the approved and the actual cadre of the Sabha as at 31 December 2010 is given below.

Category of Employees	Approved	Actual
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Staff Grades	03	03
Secondary Grades	40	33
Primary Grades	106	105
Others (Casual and Temporary)	--	38
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	149	179
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2:6 Assets Management

2:6:1 Idle and Underutilized Physical Resources

Eleven items including motor vehicles, motor vehicle spare parts and office equipment had been idling for more than one year. Action had not been taken either to use them or dispose of them.

2:6:2 Accounts Receivable

The value of the balances of Accounts Receivable as at 31 December 2010 amounted to Rs.82,700,226 and the balances of accounts older than 01 year totalled Rs.25,377,264.

2:6:3 Staff Loans Recoverable

(a) The balances of staff loans and advances on which recovery had ceased as at 31 December 2010 totalled Rs.399,245 and the balances of staff loans on which recovery had ceased for more than one year totalled Rs.360,254. The attention of the officers responsible of the Sabha had not been made

for the recovery of these balances from the sureties and pension or death gratuities on time.

- (b) A Works Superintendent who had retired from the Gampaha Urban Council in January 2011 had obtained a loan when he was serving in the Gampaha Pradeshiya Sabha and the loan balance recoverable as at the date of retirement amounted to Rs.16,522. The Sabha could not recover this amount as the current particulars of the loan balance had not been notified to Urban Council by the Information Report of the Office as required by Section 22(2) of the Local Government Service Ordinance No. 43 of 1945.

2:6:4 Assets not Surveyed

The value of assets not confirmed by Board of Survey Reports and computed at the book value as at 31 December 2010 amounted to Rs.147,000,421.

2:7 Contract Administration

2:7:1 Delays in Implementation of Projects

Long delays were observed in the implementation of the following projects.

Project	Estimated Cost	Date of Commencement	Targeted date of Completion	Date of Completion	Expenditure as at 31 December 2010	Reasons for Delay
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	Rs.				Rs.	
(i) Gama Neguma Concreting of Galahitiyawa Sri Saranpala Mawatha	370,531	25.10.2010	25.01.2011	21.03.2011	Nil	Heavy Rains and many projects being implemented.
(ii) Concreting of Third Lane Dutugemunu Mawatha	249,927	04.10.2010	04.01.2010	21.03.2011	Nil	-do-
(iii) Concreting of Third Lane Dutugemunue Mawatha – Road near the house of Mr. Sam	187,304	05.10.2010	05.01.2011	02.02.2011	Nil	-do-

Sabha Works

(iv)	Construction of the Balance Work – Embaraluwa South Community Hall	385,000	01.07.2010	3.12.2010	29.03.2011	134,984	Heavy Rains
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2:7:2 Completely Abandoned Projects

The following projects had been completely abandoned.

Project	Estimated	Expenditure as	Reason	for
		at 31 December	Abandoning	
		2010		
	Rs.	Rs.		
Gama Neguma				
(i) Concreting of Millagahawatta Road	324,629	Nil	Work abandoned by the contractor	
(ii) Concreting of the Rain Water logged section of Kossinna Amarasinghe Mawatha	624,364	Nil	Work abandoned by the contractor	

2:7:3 Garbage Disposal

A contractor for the disposal of garbage collected in the area of authority of the Sabha during the period 01 March 2010 to 31 December 200 had been selected and the contract awarded by inviting for bids. A sum of Rs.2,070,000 had been paid in that connection for the period March 2010 to November 2010. The following observations are made in this connection.

- (i) According to Rule 178(2)(2)(f) of the Pradeshiya Sabha (Financial and Administrative) Rules 1988, normally a period not less than two weeks should be allowed for the bidden to submit bids. But a period of 07 days only had been allowed.

- (ii) According to Rule 178(5) of the above Rules the notices inviting bids should be published at least in two newspapers in circulation in the area. But the notice had been published in one news paper only.
- (iii) In terms of Rule 178(3)(2), prior to the issue of bid inviting forms certificates confirming that the bidder is in possession of adequate equipment and competent staff for deployment on the work should have been obtained. But it had not been so done.
- (iv) Four quotations had been received for the work and the lowest quotation of Rs.137,000 per month had been rejected without adducing adequate reasons for rejection. As such, the Finance Committee Hall, at the meeting held on 16 February 2010 selected the bidder who had submitted the second lower bid of Rs.230,000 per month. Therefore, the Sabha had to spend an additional sum of Rs.930,000 at the rate of Rs.93,000 per month during the period 01 March to 31 December of the year.
- (v) According to the bid conditions, the garbage disposal site should be maintained without causing any treat to the public health. But the confirmation of that had not been obtained from the Medical Officer of Health while the Sabha had not obtained the address of the garbage disposal site.
- (vi) Confirmation that the bidder is a Government registered bidder for garbage disposal had not been obtained in terms of clause 02 of the agreement.

2:8 Internal Audit

An adequate internal audit of the institution had not been carried out.

3. Systems and Controls

Special attention is drawn to the following areas of systems and controls.

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Management
- (d) Stock Control