

## **Aththanagalla Pradeshiya Sabha**

### **Gampaha District**

#### **1 Financial Statements**

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

The financial statements for the year under review had been presented to audit on 31 March 2016 and the financial statements for the preceding year had been presented on 31 March 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 Aththanagalle 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 observations are made.

- (a) The purchase price of the Forton Water Bowser and the Forton Bacho Loader received from the Ministry of Local Government during the year under review had not been identified and the insurance value of Rs.20,695,000 had been capitalized.
- (b) Provision for creditors had not been made in respect of registration fees amounting to Rs.11,320 payable for 02 Nos. of Three Wheelers purchased during the year under review.
- (c) Library books valued at Rs.77,050 and Rs.33,869 respectively identified at the verifications carried out in year 2013 and 2014 to write off had not been written off from the accounts.
- (d) The balance of Acre Tax in arrears amounting to Rs.18,492 of the year under review had been brought to account as revenue.
- (e) Provision had not been made for creditors in respect 02 works of the Sabha totaling Rs.771,066 of year 2015.
- (f) Provision had not been made for creditors in respect of the project valued at Rs.255,600 under “One Work for One Village” programme.

- (g) Contracted value of 09 works of the Sabha had not been shown as creditors for the year under review and therefore, a difference of Rs.145,004 was observed in the creditors account.
- (h) The value of 11 construction works amounting to Rs.6,445,552 had not been capitalized under land and buildings during the year under review.
- (i) The retention money of 10% relating to 23 projects had not been shown as creditors in the accounts of the year under review and therefore creditors balance had been understated by Rs.865,121.

### **1.3.2 Lack of Evidence for Audit**

Transactions totaling Rs.29,590,263 could not be satisfactorily vouched in audit due to the non-submission of necessary information to audit.

## **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 2015 amounted to Rs.15,448,211 as compared with the excess of revenue over recurrent expenditure amounting to Rs.30,469,028 for the preceding year.

### **2.2 Financial Control**

- (a) The cheque valued at Rs.25,000 received as refundable deposit for reservation of the playground had been dishonored on 30 January 2015 and action had not been taken to get settle this.
- (b) The balance of advances as at 31 December 2015 amounted to Rs.2,028,520 and a balance of Rs.1,494,058 included in this had remained unsettled for over 02 years.

### **2.3 Revenue Administration**

#### **2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue**

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

<b>Source of Revenue</b>	<b>Estimated</b>	<b>Actual</b>	<b>Cumulative Arrears as at 31 December</b>
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	Rs. '000	Rs. '000	Rs. '000
Rates and Taxes	16,297	22,626	16,939
Licence Fees	8,289	10,920	6,696
Trade Licence	1,921	983	1,162
Other Revenue	72,753	74,986	(952)

Revenue in arrears as at 31 December of the year under review amounted to Rs.25.75 million and 66% of this represents rates and taxes in arrears and 26% represented stall rent in arrears.

### **2.3.2 Rates and Taxes**

The following observations are made.

- (a) Assessment of rates and taxes should be get revised once in 05 years through the Department of Valuation. Nevertheless, rates and taxes had been recovered based on the assessment of 2003. Therefore, the Sabha had deprived of a significant amount of revenue.
- (b) Although an assessment of rates and taxes had been done in year 2008 in respect of Egodapotha and Megodapotha sub-offices action had not been taken to recover rates and taxes accordingly.
- (c) According to Section 134 of the Pradeshiya Sabha Act No.15 of 1987 action should be taken to identify the developed village areas as most possible and declare the same in order to collect maximum amount of rates and taxes by Local Authorities. However, action had not been taken accordingly.

### **2.3.3 Stall Rent**

The following observations are made.

- (a) Action had not been taken to recover the arrears amounting to Rs.1,129,515 remained outstanding as at 31 December 2015 with regard to 48 stalls in front of the Community Hall.
- (b) The monthly rent recovered from 125 stalls prior to 10 years had not been revised based on the present market rates and also action had not been taken to recover the stall rent in arrears amounting to Rs.2,881,576 as at 31 December 2015.
- (c) According to Circular No.1980/46 dated 31 December 1980 of the Commissioner of Local Government, the stall rent should be revised at least once in 05 years. But, action had not been taken accordingly.

### **2.3.4 Other Revenue**

All the transmission towers located within the area of the Sabha had not been identified and action had not been taken to collect revenue through by laws in terms of Gazette Extra Ordinary Notification No.1597/8 dated 17 April 2009. Although 25 transmission towers had been identified in the areas belong to sub-offices action had not been taken to collect revenue.

### **3. Operating Review**

#### **3.1 Uneconomic Transactions**

Holiday pay and overtime amounting to Rs.520,497 had been paid in respect of carrying out duties of projects assigned to the Pradeshiya Sabha (in holidays), under programmes i.e. One work for One Village, Gama Negula, Palath Neguma and Provincial Development. Deficiencies such as non-recording of arrivals and departure through Finger Print Machine, non-entering the details in the Holiday Pay Registers and Overtime Registers; non-submitting details of duties carried out; were revealed in respect of the above payments made.

#### **3.2 Sub-division of Lands**

The land named Puwakwatta to the extent of 12 Acres, 02 Roods, 35.08 perches had been sub-divided based on Plan No.10910 during the year under review. Although it had been instructed that each lot of land should be 12.5 perches or more; 75% out of 166 lots had been part as 10 perches lots. The lot No.173 allocated for common facilities included a water course of 5.54 perches, and action had not been taken to acquire the 84.82 perches of land allocated for common facilities through a title deed and to include in the Register of Fixed Assets.

#### **3.3 Irregular Transactions**

The following observations are made.

- (a) The Finance Committee met on 24 April 2015 had decided to purchase 03 Nos. of Three Wheelers from a private company on the request of the company itself without making purchase from the institution recommended by the Technical Evaluation Committee at their meeting held on 24 March 2015 and the Three Wheelers had been purchased from that private company at Rs.1,485,000. These vehicles had to be repaired by 20 September 2015 due to engine defects, gear box defects and high heating and Drivers had reported that these defects exist even after the repairs. According to the specifications layed at the purchase, fuel consumption should be more than 37 K.M per liter. However, the fuel consumption of these vehicles was 22 K.M per liter.
- (b) An expenditure of Rs.1,912,125 had been incurred from January to August of the year under review in respect of obtaining vehicles on hire basis. Daily Running Charts had not been maintained on engaging the vehicles obtain on hire basis and the hire agreements also had not been renewed.
- (c) Although the Sabha owns 10 Tractors, a sum of Rs.659,975 had been paid as hire charges from 01 January to 30 August 2015 for obtaining Tractors on hire basis. This is considered as a questionable transaction in audit.
- (d) A sum of Rs.185,600 had been paid to members not participated in Sabha Meetings, contrary to Rule No.3(i) of the Gazette Notification No.1889/32 dated 20 November 2014 of the Republic of Sri Lanka.

### **3.4 Contract Administration**

#### **3.4.1 The Theatre Constructed in the Veyangoda Town**

The building of Multipurpose Community Hall to be constructed in front of the Railway Station in the middle of the Veyangoda town had been commenced in year 2000 based on an estimate of Rs.24,800,000 prepared in 1999 under Gampaha District City Development Programme. The following observations are made in this connection.

- (i) Construction works had been carried out at an expense of Rs.15,000,000 from 2000 to 2012 and a contract company under Provincial Road Development Authority had done laying concrete to the floor and plastering walls at an expense of Rs.3,000,000 during the year 2013.
- (ii) A physical audit examination carried out on 13 May 2016 revealed that the building had been constructed so as to use as a theatre and in addition to the Main Hall, a balcony at one side, a stage in front and stairs to enter the balcony and the stage had been constructed.
- (iii) 60% of the floor had been concreted. There was a recently day pit near the stage and underneath of the white-washed balcony was completely black in colour. The building premise used by beggars and the ground floor was dirty due to roaming of cattle and dogs.
- (iv) Tenders had been called for on 14 October 2015 for this theatre which is 155 feet 03 inches long, 73 feet wide and 20 feet high. An assessment of Rs.74,000 obtained from the Department of Valuation had been put up and no institution had submitted tenders for the Theatre.
- (v) The audit point of view is that the Pradeshiya Sabha has to complete the balance work of the building and make arrangements to generate an income source to the Sabha and to provide an effective service to the people without utilizing public money uneconomically.

#### **3.4.2 Delayed Projects**

Although the Sabha had approved 493 works valued at Rs.193,522,351 during the year under review, agreements had been entered into only in respect of 343 works valued at Rs.2,775,269. Out of the contracted works, 294 works valued at Rs.77,229,695 had been completed.

- (i) Twenty projects valued at Rs.5,925,454 had not been commenced as at 31 December 2015, even though agreements had been entered into.
- (ii) Although 27 projects valued at Rs.6,762,733 had been completed as at 31 December 2015; payments had not been made.
- (iii) Nineteen out of the projects received under various sources had been completed in the year 2014 and the sum of Rs.22,140,289 relating to these projects had not been reimbursed even by 13 May 2016.

### **3.5 Operating Inefficiencies**

The following observations are made.

- (a) A total sum of Rs.1,227,408 had been paid during 2014 and 2015 for construction of a Children's Park in Sapugasthenna Mayfield State auction land. But action had not been taken by the Sabha to acquire this land.
- (b) An agreement had been entered into on 30 October 2014 at a value of Rs.684,800 for carrying out balance work of the Nikahetikanda Drinking Water Project under One Work for One Village Programme, and the project had been continued to year 2015. A sum of Rs.529,360 had been spent for this project. The Chief Electrical Engineer had informed on 28 October 2015 that electricity cannot be supplied as the standard distance of 950 Meters from the substation had exceeded with regard to this new electricity connection. But, no further action had been taken in this regard even up to 13 May 2016; the date of audit examination.
- (c) According to Section 24 of the Pradeshiya Sabha Act No.15 of 1987, a plan of roads and ways within the area of the Sabha should be prepared, schedule of names should be published in a Gazette and vested with the Sabha. The Register of Roads included 926 roads up to 2012 and the roads constructed after that had not been Gazetted or the Register of Roads had not been updated.
- (d) Action had not been taken in terms of Section 16 of the Employees Provident Fund Act No.15 of 1958 as amended by Employees Provident Fund Act No.8 of 1971, and a surcharge of Rs.453,392 had been paid due to delay in remitting contributions to the Employees Provident Fund during the period 2001 to August 2009. A surcharge of Rs.2,098 had been paid due to delay in remitting contributions to the Employees Trust Fund for the period 2002 to 2009.

### **3.6 Solid Waste Management**

The Sabha had incurred an expenditure of Rs.51,795,889 during the year under review for disposal of waste.

The following observations are made.

- (a) The unsorted waste per day was 18-20 Tons and only 01-05 Tons of waste have been sent to the compost yard.
- (b) The Sabha had not taken action to plan, supervise and control the activities indicated as per Part iv(a) of the Extra-ordinary Gazette Notification No.1713/11 dated 05 July 2011 and Section 22 of the By-laws on solid waste management.
- (c) The compost yard had sold 41003 kg. of compost during the year 2015 and a sales revenue of Rs.546,690 had been earned. Nevertheless, an expenditure of Rs.25,682,980 had been incurred for this during the year. It had been reported that production was lowered due to lack of employees and according to the attendance records, a total sum of

Rs.1,545,250 had been paid during the year under review to the employees extraneous to the employees engaged in the project works.

**3.2 Environmental Problems**

No action had been taken to solve the problems in connection with 14 out of all the complaints received as per Public Complaints register during the year 2014 and 11 complaints received during 2015.

**5. Systems and Controls**

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

- (a) Accounting
- (b) Budgetary Control
- (c) Revenue Administration
- (d) Control over contracts
- (e) Human Resources Management