

Giribawa Pradeshiya Sabha

Kurunegala District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to audit on 06 June 2018 and the report of the Auditor General on the financial statements forwarded to the Chairman of the Sabha on 30 October 2018.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Giribawa Pradeshiya Sabha 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 Deficiencies

The following matters were observed.

- (a) The value of 32 lands belonging to the Sabha had not been assessed and brought to account.
- (b) The value of Wannikudawava Clinic Centre building and pre-school building had not been assessed and brought to account.
- (c) The value of motor vehicle parking garage constructed by the Sabha spending Rs.2,388,356 had not been brought to account.
- (d) Thambutta Public library building constructed by spending Rs.15,913,882 and the renovation expenditure of the Parakumpura weekly fair building had not been brought to account.

1.3.2 Unreconciled Accounts

The differences of Rs.44,708,570 were shown between the balances according to the financial statements and according to the schedules/ subsidiary registers relating to 11 items of accounts as at the end of the year under review.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

The following matters were observed.

- (i) The age analysis had not been furnished for the accounts receivable of Rs.33,496,765 out of the receivable accounts amounting to Rs.39,433,371 as at 31 December 2017 and the arrears of lease rent which exceeded 03 years amounting to Rs.228,834 had not been recovered.
- (ii) Action had not been taken to settle 05 deposit balances amounting to Rs.101,500 belonging to the Sabha, shown in the financial statements for over a long period.

(b) Accounts Payable

The age analysis had not been furnished for the payable balances of Rs.18,726,908 out of the payable balances amounting to Rs.34,697,495 as at 31 December 2017.

1.3.4 Lack of Evidence for audit

Six items of accounts totalling to Rs.42,366,164 could not be satisfactorily vouched in audit due to non-submission of required information.

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

A Register relating to Computers, Accessories and Software amounting to Rs.1,301,180 belonging to the Sabha had not been maintained in terms of the Circular No.IAI/2002/02 dated 28 November 2002.

1.3.6 Transactions without Adequate Authority

Thirty eight creditors balance valued at Rs.9,073,339 and 01 debtor balance valued at Rs.8,657,335 had been eliminated from the books without a proper authority.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of recurrent expenditure over the revenue of the Sabha for the year ended 31 December 2017 amounted to Rs.259,140 as against the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.86,050.

2.2 Revenue Administration

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

The information with regard to the estimated revenue, billed revenue, collected revenue and the arrears of revenue furnished for the year under review and for the preceding year appears below.

Source of Revenue	Year 2017				Year 2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
(i) Rates and Taxes	385	391	391	35	5	390	390	360
(ii) Lease Rent	2,939	3,520	2,258	372	2,921	3,020	2,563	325
(iii) Licence Fees	410	377	497	46	680	375	375	-
(iv) Other Revenue	36,199	27,750	27,892	5,450	34,190	27,795	30,790	1,806
Total	39,933	32,038	31,038	5,903	37,796	31,580	34,118	2,491

Note:

- * There were differences between the values according to the financial statements and the values furnished by the Sabha for audit.
- * The arrears of revenue of the preceding years also had included in the collected revenue of the year under review.

2.2.2 Performance in Collection of Revenue

Out of the billed revenue amounting to Rs.32 million and out of the arrears of revenue of Rs.2.4 million as at the end of the year under review, a total sum of Rs.31 million had been collected. The arrears of revenue amounting to Rs.2.4 million existed in the preceding year had increased up to Rs.5.9 million as at 31 December of the year under review.

2.2.3 Lease Rent

The following matters were observed.

- (a) The legal actions taken by the Sabha to recover arrears of lease rent existed from the year 2002 amounting to Rs.80,056 had become fruitless.
- (b) The arrears of lease rent amounting to Rs.55,500 had to be recovered from leasing of assets relating to the preceding year.

2.2.4 Court Fines and Stamp Fees

The court fines and stamp fees receivable from the Chief Secretary of the Provincial Council as at 31 December 2017 amounted to Rs.2,867,000 and Rs.488,928 respectively.

3. Operating Review

3.1 Performance

The matters revealed on the execution of activities to be executed by the Sabha in respect of regularize and control over the matters such as public health, public utility services and public roads and comfort, facility and wellbeing of the people under Section 3 of the Pradeshiya Sabha Act are given below.

(a) By-laws

Even though the by-laws should be imposed to execute 30 major matters under Section 126 of the Pradeshiya Sabha Act, the by-laws had not been imposed even by 31 December 2017.

(b) Action Plan

An annual action plan had not been prepared for the activities that should be executed according to the by-laws embraced by the Sabha,.

(c) **Solid Waste Management**

The following matters were observed.

- (i) Even though, a 03 years had elapsed after incurring a sum of Rs.456,157 to construct a fence around the Solid Waste Management Centre land and to fix a gate, the Sabha had not collected the waste daily. As such the solid waste management activities could not be commenced.
- (ii) A sum of Rs.171,040 had been incurred for conduct programmes such as programmes relating to categorization of waste, school art competitions, home garden competitions and distribution of waste containers.

(d) **Sustainable Development Goals**

The Sabha had not aware the 2030 Agenda on Sustainable Development Goals of the United Nations Organization and as such no future activities thereon had been commenced.

3.2 Management Inefficiencies

The following matters were observed.

- (a) The value of the library books lent and not returned amounting to Rs.8,935 and the value of library books misplaced amounting to Rs.3,990 had not been recovered from the responsible parties.
- (b) Action had not been taken to identify new developed areas of the authoritative area of the Sabha and to gazette and recover rates properly.

3.3 Human Resources Management

The following matters were observed.

- (a) Nine staff vacancies had existed as at the end of the year under review.
- (b) A sum of Rs.33,888 had to be recovered from 03 persons who dismissed and transferred out.

3.4 Assets Management

3.4.1 Assets Not Recorded

Action had not been taken to assess the value of about 25-30 Teak timber logs and to take in to stock books.

3.4.2 Assets not Transferred

The ownership of the land on which maintained the Head Office, Library, Clinic Centre and Community Centre of the Sabha and the lands of playgrounds, weekly fairs, vehicle parks and cemeteries had not been transferred to the Sabha.

3.4.3 Idle/ Under-utilized Assets

- (i) A tractor valued at Rs.608,020 had remained non-operative since the year 2012.
- (ii) Block stones production project which commenced before 03 years by spending Rs.1,125,401 had remained non-operative.

4. Accountability and Good Governance

4.1 Presentation of Financial Statements

The financial statements for the year under review and for the preceding year had been furnished to audit on 06 June 2018 and 07 April 2017 respectively.

4.2 Budgetary Control

- (a) The savings ranging from 12 per cent to 42 per cent of the net provisions relating to 06 objects and the decreases of collection of revenue ranging from 62 per cent to 86 per cent relating to 03 revenue items were observed.
- (b) A sum of Rs.1,327,469 had been incurred for 07 projects which were not budgeted in the year under review.

5. Systems and Controls

The 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 controls.

System	Deficiency
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(a) Accounting	Failure to maintain books of accounts and registers in an updated manner.
(b) Control of Assets/ Properties	(i) Failure to record the stocks. (ii) Failure to ensure the security.
(c) Stock Control	(i) Failure to record the stocks. (ii) Irregular stock control.

- (d) Debtors/ Creditors Control
 - (i) Non-preparation of schedules.
 - (ii) Non-preparation of age analysis.
- (e) Staff Administration
 - Non-completion of vacancies.
- (f) Project/ Contract Administration
 - (i) Non-execution of budgeted contracts.
 - (ii) Execution of contracts not budgeted.
 - (iii) Projects abandoned halfway.