

**Galgamuwa Pradeshiya Sabha**

**Kurunegala District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year under review had been presented to audit on 01 April 2013 and the financial statements for the preceding year had been presented on 12 March 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 30 August 2013.

**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 Galgamuwa Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2012 and except for the effects on the financial statements of the matters referred to in my 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 Galgamuwa Pradeshiya Sabha as at 31 December 2012 and the financial results of its operations for the year then ended.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Deficiencies**

The following observations are made.

- (a.) A sum of Rs.27,134,156 which should be credited to the accumulated fund as rectification of the preceding year's errors had been credited to the expenditure account and therefore, the capital expenditure for the year under review had been understated in the accounts by a similar amount.
- (b.) A sum of Rs.2,034,678 payable to the Pensions Contribution Fund by the Sabha had been accounted under creditors and a sum of Rs.91,888 payable for the year under review had been accounted under the income and expenditure account.

- (c.) The debtors amounting to Rs.2,558,791 relating to the Motor Grader Income and Expenditure account for the year under review had been brought to account as Rs.3,172,694 and therefore, the profit of the Motor Grader account had been overstated in the financial statements by Rs.613,903.

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

Transactions totaling Rs.3,123,896 could not be satisfactorily vouched in audit due to non-submission of the required information to audit.

## **2. Financial and Operating 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 2012 amounted to Rs.31,503,440 as compared with the excess of revenue over recurrent expenditure amounting to Rs.4,215,518 for the preceding year.

### **2.2 Revenue Administration**

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

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

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	1,138	912	514
(ii.) Lease Rent	6,013	6,994	1,278
(iii.) Licence Fees	1,521	1,382	139
(iv.) Other Revenue	12,830	72,557	5,575

### **2.2.2 Rates and Taxes**

Lists of arrears had not been prepared on the persons who defaulted payments and procedure for confiscation of property had not been followed in terms of Section 158 and 159 of the Pradeshiya Sabha Act No.15 of 1987 and the provisions of Rule No.33 to 42 of the Pradeshiya Sabha (Financial and Administrative) Rules -1988; in respect of rates in arrears amounting to Rs.514,153 of which the annual billing was Rs.1,145,052.

### **2.2.3 Lease Rent**

The following observations are made.

- (a.) A sum of Rs.3,172,694 relating to the period 2009-2012 in respect of hiring the Motor Grader owned by the Sabha, a sum of Rs.2,696,351 relating to the period 2011 and 2012 in respect of hiring the Bacho and a sum of Rs.1,295,731 relating to the period 2011 and 2012 in respect of hiring the Road Roller had been outstanding as at end of the year under review. There is a difficulty in recovering the above money as formal agreements had not been entered into with the respective parties.
- (b.) It was not able to lease out three out of 13 properties owned by the Sabha, the lowest bid of which was Rs.254,472. The register of lease rent had not been properly maintained in terms of the provisions of Rule No.76 of the Pradeshiya Sabha (Financial and Administrative) Rules-1988 and the relevant information had not been properly entered and balanced.
- (c.) A sum of Rs.48,715 for the year 1994, Rs.16,755 for the year 2009, Rs.449,866 for the year 2011 and Rs.306,490 for the year 2012 had been recoverable as at end of the year under review in respect of leasing out of property annually.
- (d.) Payment of instalments of key money in respect of leasing of stalls at Galgamuwa General market was in a poor level and a sum of Rs.2,035,579 was due as at end of the year under review in respect of 29 stalls.
- (e.) Tenders had been called for in respect of lease of 12 stalls of which the lowest bid was Rs.9,193,154 on Key-money basis. Agreements had been entered into in respect of 03 stalls only by end of May 2012 and the total of the lowest bids of those stalls amounted to Rs.1,896,118. Agreements had not been entered into in respect of 07 stalls of which the total of the lowest bids was Rs.5,810,630.

**2.2.4 Business Tax and Trade Licence Fees**

A survey had not been carried out in respect of billing of business tax and trade licence fees in terms of the provisions of Rule 59 and 67 of the Pradeshiya Sabha (Financial and Administrative) Rules-1988.

**2.2.5 Processing Charges for Telephone Transmission Towers**

Five telephone transmission towers had been installed within the area of authority of the Sabha as at end of the year under review. Although charges not more than 1% of the previous year's turnover could have been earned from these towers, only the licence fees at Rs.3,000 had been recovered from them.

**2.2.6 Court Fines and Stamp Fees**

Court fines and stamp fees receivable for the year under review had not been identified and brought to account.

**2.2.7 Recovery of Charges for Vehicle Parks of the Bus Stand**

Recovery of vehicle park charges at the Bus Stand was not regular up to year 2012 and a person had been recruited from September 2012 on the basis of payment of commission at 40% of the income and he had been paid commission within a range of Rs.43,960 to Rs.217,000 per month. Daily remittance of money and the monthly collection of money had not been supervised by another officer. As stated in the authority card given to the person who had been appointed to collect charges for buses; the daily collections should be remitted to the Sabha on the following day. Nevertheless, there was a delay of 5-10 days in remitting money to the Sabha.

**2.3 Idle and Underutilized Physical Resources**

- (a.) The Mini Kubota tractor of the Sabha valued at Rs.100,000 and the Cab valued at Rs.1,250,000 respectively had been idling for about 05 years and 01 year.
- (b.) Meegalewa old weekly fair building constructed at an expense of Rs.220,000 and the Meegalewa weekly fair building costing Rs.150,000 had been idling during the year under review and the preceding years without being used for any purpose. At present the Meegalewa weekly fair is run in the playground.

**2.4 Assets Management**

The book value of the land and buildings as at 31 December 2012 amounted to Rs.72,257,818 and this had not been confirmed by physical verifications/ Board of Survey Reports.

**2.5 Legal Matters Initiated by the Sabha**

Unauthorized persons had occupied 05 plots of lands owned by the Sabha at Meegalewa Town facing the Mahaweli Town Road. Although a case had been filed under case No.9233 since year 2009 to remove the unauthorized buildings, it had not been finalized even by end of the year under review.

**2.6 Contract Administration**

The following observations are made.

- (a.) The Sabha had not obtained permeant electricity connection even up to the year under review for the Trade Complex consists of 36 stalls constructed in the Galagamuwa Town at a cost of Rs.42,895,582 under the credit facilities of the Asian Development Bank and opened on 20 January 2012.
- (b.) Although 34,000 cement blocks had been obtained at a cost of Rs.1,105,000 for the Development of Galgamuwa Bus Stand Stage I Project, only 22,200 blocks had been used according to the Final Material Analysis Report. The reasons for obtaining 11,800 blocks in excess of the requirement were not explained. Out of the balance 11,800 blocks; 6,486 blocks had been given to the relevant contractor society in June 2012 for the Stage II of the Development of the Bus Stand.

Although a further stock of 5314 blocks valued at Rs.172,705 should be remained, such stock of blocks were not made available at the spot check carried out on 27 February 2013.

**2.7 Operating Inefficiencies**

- (a.) The Sabha had not prepared a corporate plan and obtained the approval for it.
- (b.) Contributions payable to the Local Government Pension Fund had not been duly paid and the balance payable to the Fund as at end of the year under review amounted to Rs.2,034,678. Although the Fund had recovered a sum of Rs.7,657 from the Sabha as the monthly instalment; the Sabha was not aware to which officers the recoveries are related to.

**3. Systems and Controls**

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

- (a.) Accounting
- (b.) Financial Control
- (c.) Revenue Administration
- (d.) Assets Management
- (e.) Contract Administration