

Galigamuwa Pradeshiya Sabha
Kegalle 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 2014 and the financial statements for the preceding year had been presented on 28 March 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 25 August 2014.

1.2 Opinion

In my opinion 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 Public Sector Accounting Standards and give a true and fair view of the state of affairs of the Galigamuwa Pradeshiya Sabha as at 31 December 2013 and the financial results of its operations and cash flows for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Non-compliances with Sri Lanka Public Sector Accounting Standards

The Statement of Change of Equity had not been submitted along with the financial statements in terms of Section 21(c) of the Sri Lanka Public Sector Accounting Standard No.01. Although the budgeted data and the actual data of the relevant institution should be submitted in the financial statements as the section in 21(e), it had not been submitted as such.

1.3.2 Accounting Deficiencies

- (a.) Incentive allowances amounting to Rs.54,125 of the officers of the Land Registry paid in respect of preparing stamp fees for the preceding year had been adjusted to the revenue of the year under relevant and therefore the excess had been understated by a similar amount.
- (b.) The balance of Rs.8,602,682 of the Motor Cars and Carts Account as at 31 December of the year under review included a tractor valued at Rs.1,090,000 and tailor valued at Rs.260,000 owned by the Chief Secretary of the Sabaragamuwa Provincial Council this, overstating assets.
- (c.) A cab valued at Rs.7,740,000 had been purchased during the year under review on credit basis by paying a basic sum of Rs.4,700,000. Loan installments and interest totalling Rs.4,858,962 had been capitalized in the accounts for the year and a provision for annual depreciation amounting to Rs.485,896 had been made in the accounts on the above value. However, the actual market value amounting to Rs.7,740,000 and the loan and the interest amounting to Rs.4,252,058 (Rs.9,111,020-Rs.4,858,962) further payable had not been disclosed in the accounts.

- (d.) 18 cemeteries 06 lands and 02 community centers shown in the Register of Fixed Assets under land and buildings had been omitted from the financial statements.
- (e.) A motor cycle value at Rs.66,000 and 07 items of machinery and equipment valued at Rs.1,685,602 shown in the fixed assets Register had been omitted from the financial statements.

1.3.3 Contingent Liabilities

The value of contingent liabilities for legal and other commitments relating to the assets and liabilities of the Sabha had not been computed and shown in the financial statements for the year under review.

1.3.4 Unreconciled Control Accounts

The total of the balances of 19 items of accounts amounted to Rs.15,474,487 as per financial statements and according to the subsidiary registers/ records, the total of the balances amounted to Rs.14,350,739 indicating a difference of Rs.1,123,748.

1.3.5 Accounts Payable

The value of the balances of accounts payable for over 01 year amounted to Rs.704,444 as at 31 December 2013.

1.3.5 Non-compliance with Laws, Rules and Regulations

Non-compliance with the following laws, rules, regulations and management decisions were observed in audit.

<u>Reference to Laws, Rules, Regulations and Management Decisions</u>	<u>Non-compliance</u>
(a.) Financial Regulations of the Republic of Sri Lanka F.R. 371(2)(c)	- On account advances amounting to Rs.337,220 paid at 14 instances had not been settled.
(b.) Section 132(J) of the Pradeshiya Sabha Act No.15 of 1987	- Expenditure amounting to Rs.250,000 had been incurred at 06 instances without the approval of the Chief Minister.

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 2013 amounted to Rs.1,675,551 as compared with the excess of revenue over recurrent expenditure

amounting to Rs.4,556,882 for the preceding year, thus indicating a deterioration of Rs.2,881,331 in the financial result for the year under review.

2.2 Analytical Financial Review

The increase of recurrent expenditure of the year under review by Rs.2,824,772 as compared with the preceding year had been the main reason for the deterioration of the financial result.

2.3 Revenue Administration

2.3.1 Performance of Collection 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 shown below.

Source of Revenue	Estimated	Actual	Cumulative arrears as at 31 December
-----	-----	-----	-----
	Rs '000	Rs '000	Rs '000
(i) Rates and Taxes	2,325	2,175	150
(ii) Lease Rent	413	413	-
(iii) Licence Fees	740	640	100
(iv) Other Revenue	9,825	12,148	-

2.3.2 Court Fines and Stamp Fees

Court fines and stamp fees receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2013 amounted to Rs 131,000 and Rs.6,200,479 respectively.

3. Operating Review

3.1 Operating Inefficiencies

The total of the employees loan balances recoverable as at 31 December 2013 amounted to Rs.4,987,415.

3.2 Idle and Underutilized Assets

A balance of Rs.46,582 had been lying idle in a bank account of the Sabha.

4. Accountability and Good Governance

4.1 Internal Audit

An adequate internal audit had not been carried out on finance and stores in terms of 5(7) of the Pradeshiya Sabha (Financial and Administrative) Rules-1988.

5. Systems and Controls

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

- (a.) Accounting
- (b.) Revenue Administration
- (c.) Assets Management