

**Giribawa 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 28 March 2013 and the financial statements for the preceding year had been presented on 09 May 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 Giribawa 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 Giribawa Pradeshiya Sabha as at 31 December 2012 and the financial results of its operations and cash flows for the year then ended.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Deficiencies**

The following observations are made.

- (a.) Revenue on stamp fees receivable had not been identified and brought to account and stamp fees amounting to Rs.287,605 received in year 2012 in respect of the period December 2011 to June 2012 had been brought to account as revenue for the year under review.
- (b.) Works debtors receivable amounting to Rs.36,509,966 had been debited again to the debtors account and credited to the other aid account although it had been already debited to debtors account and credited to the capital aid account.

Therefore, the surplus for the year and other revenue in arrears had been overstated in the financial statements by Rs.36,509,966.

- (c.) A sum of rs.19,278,655 received during the current year as Rs.649,855 for the jobs carried out in year 2010 and Rs.18,628,800 for the jobs carried out in year 2011 had been brought to account as capital aid. Therefore, the surplus had been overstated in the financial statements by a similar amount.

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

Transactions totaling Rs.41,373,839 could not be satisfactorily vouched in audit due to non-submission of 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.38,083,976 as compared with the excess of revenue over recurrent expenditure amounting to Rs.4,183,403 for the preceding year.

### **2.2 Financial Control**

The following deficiencies in financial control were observed.

- (a.) The budgeted net provision amounted to Rs.18,926,000 whilst the actual expenditure amounted to Rs.67,899,000 resulting excesses amounting to Rs.48,973,000. Necessary additional provisions had not been get approved through supplementary in this regard.
- (b.) Creditors amounting to Rs.3,874,125 over provided during the previous years had been written-off against the excesses and shortages account during the year under review.

**2.3 Revenue Administration**

**2.3.1 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	130	190	-
(ii.) Lease Rent	1,725	2,205	681
(iii.) Licence Fees	135	169	-
(iv.) Other Revenue	13,944	13,843	2,332

**2.3.2 Lease rent**

- (a.) Two properties owned by the Sabha and the lowest bid of which amounted to Rs.160,050 could not be leased out during the year 2011 and 2012. A sum of Rs.234,016 in respect of 13 properties leased out during the period 1990 to 2010, Rs.42,824 in respect of 03 properties leased out in year 2011, Rs.182,232 in respect of 03 properties leased out in year 2012 and the relevant fines there on had not been recovered up to the end of the year under review.
- (b.) According to the lease agreement for annual leasing through tenders, security deposits equivalent to 04 installments should be obtained. Nevertheless, security deposits on 03 properties leased out during the year under review had been recovered less by Rs.126,630. According to Section 03 and 04 of the lease agreement for leasing through tenders, lease rent installment for a month should be paid before 10<sup>th</sup> of the following month and if failed to pay so, a fine of 10% should be levied for the delay. However a fine of Rs.69,379 had not been recovered in respect of the period of delay.

**2.3.3 Processing Charges for Telephone Transmission Towers**

The Sabha had not paid attention for carrying out a survey on the telephone transmission towers installed within the area of authority of the Sabha and recover charges. However, a sum of Rs.200,000 had been obtained for one tower as development aid and had been credited to a deposit account during the year under review.

**2.3.4 Vehicle Parking Charges**

Although there is a by-law with regard to parking vehicles within the area of authority of the Sabha, a survey had not been carried out annually or periodically with regard to parking of three wheelers and three wheelers had not been registered and the parking places had not been properly fixed.

**2.3.5 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 2012 had not been identified and brought to account.

**2.4 Idle Physical Resources**

A water bowser with a capacity of 800 gallons valued at Rs.151,000 had been lying idle for about 05 years.

**2.5 Assets Management**

A survey had not been carried out in terms of Rule No.218 of the Pradeshiya Sabha (Financial and Administrative) Rules-1988 in respect of land and buildings valued at Rs.4,177,750 as at end of the year under review.

**2.6 Legal Matters Initiated by the Sabha**

The Sabha had filed court cases in respect of rent in arrears amounting to Rs.304,827 relating to 08 instances of leasing out properties and of this arrears amounting to Rs.12,488 had been recovered and Rs.5,000 is being recovered monthly in respect of 03 properties of which the arrears amounted to Rs.209,223. The progress of the recovery of arrears amounting to Rs.83,116 relating to 03 properties could not be ascertained as the case documents had not been maintained up to date.

**2.7 Solid Waste Management**

Although a sum of Rs.50,000 had been allocated to commence a waste management center for producing compost, the work had not been commenced during the year under review.

**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