

## **Galewela Pradeshiya Sabha**

### **Matale District**

#### **1. Financial Statements**

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

Financial Statements for the year under review had been submitted to the Audit on 16 April 2014 while Financial Statements relating to the preceding year had been submitted on 08 April 2013. The Auditor General's Report relating to the year under review was issued to the Chairman of the Sabah on January 2015.

##### **1.2 Opinion**

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Galewela Pradeshiya Sabha as at 31 December 2013, its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

##### **1.3 Comments on Financial Statements**

###### **1.3.1 Non-compliance with Sri Lanka Public Sector Accounting Standards**

Accounts for the year under review had not been prepared in accordance with the Public Sector Accounting standards by the Galewela Pradeshiya Sabha.

###### **1.3.2 Accounting Deficiencies**

Following Accounting Deficiencies are observed.

- (a.) Action had not been taken to remove the value of Plant and Machinery have auctioned for Rs.1,615,000 during the year under review.
- (b.) While 4 cheques amounting to Rs. 80,216 received on account of meat stall rent had been dishonored, that value had not been added to the balance outstanding at the end of the year under review.
- (c.) Although the balance in the Contribution from Revenue to Capital Outlay Account should be equal to the total value of Fixed Assets, a difference of Rs.2,306,909 was observed between the two accounts.
- (d.) Balance of one current account had been understated in a sum of Rs.100,000 as at the end of the year under review.

- (e.) Balance of Rs. 2,054,440 payable to the Local Government Pension Fund as at the end of the year under review had not been accounted under creditors.

### **1.3.3 Un-reconciled Control Accounts**

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A difference of Rs.25,245,860 was observed between the total of 6 items of accounts and the relevant subsidiary registers.

### **1.3.4 Accounts Receivable and Payable**

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- (a.) While the total of balances of 08 Accounts Receivable as at 31 December 2013 was Rs. 44,118,879, the total of balance that had exceeded a period of more than 5 years amounting to Rs. 782,897 was included therein.
- (b.) While the total of balances of Accounts Payable as at 31 December 2013 was Rs. 37,947,579, the total of balance that had exceeded a period of more than a year amounting to Rs. 19,842,787 was included therein.

### **1.3.5 Lack of evidence for audit**

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Transactions valued at RS.238,526,877 could not be satisfactorily examined in audit due to non-submission of required information to audit.

### **1.3.6 Non-compliance with Laws, Rules and Regulation etc.**

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Following instances of non-compliances were observed in audit.

<b><u>Reference to Laws, Rules, Regulations etc.</u></b>	<b><u>Non-compliance</u></b>
(a.) Pradeshiya Sabha Act No. 15 of 1987	
(i.) Section 126	- Revenue amounting to Rs. 285,004 had been earned under 04 items without making by-laws.
(ii.) Section 19.1	- Twenty six employees had been engaged in service and salaries and allowances amounting to Rs.3,354,192 had been paid without complying with the requirements referred to in the Section.

- (b.) Regulation 1646 of the Financial Regulations of the Republic of Sri Lanka - While running charts and monthly performance reports relevant to 08 vehicles belong to the Sabah had not been furnished to audit, fuel expenses amounting to Rs.1,499,759 had been spent for those vehicles.
- (c.) Public Administration Circular No. 41/90 dated 10 October 1990 - Fuel consumption of 13 vehicles belong to the Sabha had not been tested.
- (d.) Circulars of the Commissioner of Local Government
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- (a.) Circular No. 3/2/2/4 dated 23 March 2013 of the Central Province Commissioner of Local Government - Telephone Allowance amounting to Rs.14,824 had been paid to the Vice Chairman in excess of the specified limit.
- (b.) Circular No.1/2013 dated 05 April 2013
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- Paragraphs 01 and 03 - While a fuel allowance Rs. 12,500 for the period from April to August of the year under review had been paid to the Chairman and fuel allowance amounting to Rs.37,500 to 15 Members of the Sabah for April 2013 on the basis of a Sabha decision taken on 26 April 2013 had been paid, contrary to the Circular.
- Paragraph 04 - Fuel Allowance amounting to Rs.197,500 had been paid to 13 members who had not submitted relevant running charts to support the journeys performed.

## 2. Financial Review

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### 2.1 Financial Results

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According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabah for the year ended 31 December 2013 amounted to Rs.4,562,387 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 5,412,057. A decline of was Rs.849,670 reflected in the financial results for the year under review.

## **2.2 Analytical Financial Review**

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While an operational surplus of 9.15 percent in the value of financial results had shown for the year under review, that value for the preceding year had been 11.49 percent indicating a decline of 2.34 percent.

## **2.3 Revenue Administration**

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### **2.3.1 Rates and Acreage Tax**

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While balances in arrears of Rates and Acreage Tax as at 31 December of the year under review amounted to Rs. 945,495 and 64,350 balances outstanding for than one year amounting to Rs. 287,104 and Rs. 50,668 respectively were included in those balances.

### **2.3.2 Entertainment Tax**

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While balances in arrears of Entertainment Tax as at 31 December of the year under review had been Rs.6,948 it was being brought forward over a period of more than 10 years.

### **2.3.3 Lease Rent**

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While balances in arrears of Lease Rent as at 31 December of the year under review amounted to Rs.146,811 sum of Rs.84,581 on account of Meat stalls Rent outstanding from a period prior to the year 2004 was included in that balances.

### **2.3.4 License Fees**

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While balances in arrears of License Fees as at 31 December of the year under review amounted to Rs.691,371 that balance was being brought forward over a period prior to 6 years.

### **2.3.5 Water Charges**

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While balance of Water Charges in arrears as at 31 December of the year under review had been Rs.407,239, that balance remained unrecovered over a period of one year.

### **2.3.6 Court Fines and Stamp Fees**

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A sum of Rs.3,213,250 as Court Fines and a sum of Rs.10,108,464 as Stamp Fees were outstanding from the Chief Secretary of the Provincial Council and other authorities as at 31 December of the year under review.

### **2.4 Surcharges**

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A sum of Rs. 226,000 was outstanding to be recovered as at 31 December 2013 on account of Surcharges imposed during previous years in terms of provisions in the Pradeshiya Sabah Act No.15 of 1987.

## **3. Operating Review**

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### **3.1 Operational Inefficiencies**

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Following matters were observed.

- (a.) Action had not been taken to settle loan balances amounting to Rs.26,334 outstanding from 7 officers who retired or vacated post since the year 1979.
- (b.) Although approval had been given for 197 building applications, received during the year under review and preceding 3 years, Certificates of Conformity had been issued only for 34 applications.
- (c.) While 776 trade stalls to be issued with trade licenses during the year under review had been identified, licenses had been issued only for 103 trade stalls out of those. Accordingly, 673 trade stalls had been carrying on business without obtaining licenses.
- (d.) A balance of Rs. 108,749 relevant to a Bank Current Account had remained idle since the year 2011.
- (e.)
  - (i.) Action had not been taken in terms of Financial Regulation 189 of the Republic of Sri Lanka with regard to 4 cheques valued at Rs. 92,817 received and dishonored during previous three years shown in the bank reconciliation statement for December 2013.
  - (ii.) Although it had been decided by the Sabah on 24 June 2010 to recover value of a dishonored cheque amounting to Rs. 66,299 from the officer responsible, recoveries had not been made accordingly.

- (f.) While the total of pre-payments as at 31 December of the year under review amounted to Rs.3,391,897, balances being brought forward since the establishment of the pradeshiya Sabha amounting to Rs. 3,381,897 was included therein. Action had not been taken to settle those balances.
- (g.) Action had not been taken with regard to shortages of 24 inventory goods referred to in the Board of Survey carried out relevant to the year under review.
- (h.) Revenue amounting Rs.19,500 had been lost to the Sabah due to renting out the Tennekoon Memorial Opera Hall in 18 instances without recovering the charges approved by the Sabha.

### 3.3 Idle/Under-utilized Assets

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Ten Inventory Items valued at Rs. 82,600 over period of 10 years and two tractors valued at Rs.579,000 over a period of 04 years, remained idle or under-utilized.

### 3.4 Contracts Administration

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Following matters were observed in audit inspection carried out in connection with the works performed during the year under review.

Name of the Work	Estimated Amount & Source of Fund	Date of Inspection	Observations
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(a.) Development of Pahalawewa, Pallamayaya	Common Fund Rs.329,487	03.12.2013	While the road was in a very bad condition with pot holes to length of about 200 meters from the beginning, large stones in size of 9 inches were seen opened due to washing away of the substandard gravel spread.
(b.) Construction of Retaining Wall of the road in front Bulanawewa Church	Common Fund Rs.150,000	03.12.2013	The plaster on the retaining wall had cracked in 05 places due to applying the Plaster to a thickness of ¼ inch instead of ½ inch. A sum of Rs. 7,970 had been paid for 11.67 square meters for that.

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| (c.) | Work relating to fixing Stone Blocks Meewalpathana Road Stage i and ii | Maga Neguma<br>Rs.1,000,000 | 18.11.2014 | (i.) When certain places were opened after breaking, It was observed that the concrete laid for safety bunds of the road had not been up to standard mixture.<br><br>(ii.) Concrete Blocks of specified Standard had not been fixed. |
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#### **4. Accountability and Good Governance**

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##### **4.1 Internal Audit**

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While a system of internal audit had not been introduced, in terms of Rule 5 (7) of the Financial Rules (Financial and Administration) 1988 and Financial Regulation 134, Audit and Management Committee too had not been established.

##### **4.2 Budgetary Control**

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- (i) While any revenue had not been earned out o estimated revenue of Rs.1,605,000 under 5 items of revenue, there was variance in a range between 11 to 94 percent in another 21 items of revenue.
- (ii) While savings in 13 items of expenditure were in a range between 5 to 95 percent, out of the supplementary provision obtained again after transferring the entire provision under one item of expenditure, 93 percent had been left unspent. Accordingly it was observed that the Budget had not been utilized as an effective tool of management.

#### **5. Systems and Controls**

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

- (a.) Accounting
- (b.) Internal control
- (c.) Financial Control
- (d.) Budgetary Control
- (e.) Revenue Administration
- (f.) Assets Management
- (g.) Debtors and Creditors Control