

Gangaihala Korale Pradeshiya Sabha

Kandy District

1. Financial Statements

1.1. Presentation of Financial Statements

The financial statements for the year under review had been presented for audit on 25 March 2014 and the financial statements for the preceding year had been presented on 27 March 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 09 December 2014.

1.2. Opinion

I am of opinion that the financial statements have been prepared in accordance with the Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Gangaihala Korale Pradeshiya Sabha as at 31 December 2013 and the financial result of its operations and cash flows for the year then ended.

1.3. Comments on Financial Statements

1.3.1. Accounts Receivable and Payable

a) Accounts Receivable

The value of total balances of accounts receivable as at 31 December 2013 amounted to Rs.32,180,308 and out of this, balances exceeding 1 year, amounted to Rs.4,069,055.

b) Accounts Payable

The value of total balances of accounts payable as at 31 December 2013 amounted to Rs.48,802,859, and out of this, Rs.42,642,308 represents expenditure creditors and of this, account balances over one year amounted to Rs.9,954,819. The total of balances further due for over 1 year as at 30 July 2014, amounted to Rs.9,874,819.

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.7,449,862, against the excess of recurrent expenditure over revenue amounting to Rs.413,651 for the preceding year. Therefore the financial result had been improved by Rs.7,036,211.

2.2. **Analytical Financial Review**

The surplus for the year under review had been improved by Rs.7,036,211. In comparison to the deficit in the preceding year, and the main reason for that, had been the decrease in expenditure on repairs and maintenance of fixed assets by 74% during the year 2013.

2.3. **Working Capital Management**

The ratio between total current assets and current liabilities was 1.4:1, and it was in a superior level. The income in arrears alone represents 65% of total current assets, whilst works creditors alone represents 85% of the total current liabilities.

2.4. **Revenue Administration**

a) **Rates and Taxes**

The arrears at the beginning of the year under review amounted to Rs.1,883,602 and out of this only a sum of Rs.465,791, representing 25% had been recovered. The amount billed for the year was Rs.827,133, and out of this Rs.294,883 representing only 35% had been collected.

b) **Stall Rentals**

The stall rental income in arrears due to the Sabha at the end of the year under review amounted to Rs.782,160.

c) **Water Charges**

(i) Since water projects were non-operational, the billing of water charges had been suspended in 10 areas, and the value of outstanding water charges from those areas amounted to Rs.85,464.

(ii) Only 02 out of 05 water projects owned by the Sabha, are in operational state, and there were arrears amounting to Rs.71,032 exist as at end of the year under review, even from these 02 projects.

d) Environment Licences

The Gazette Extra-ordinary Notification No. 1533/16 dated 25 January 2008, issued in accordance with the National Environmental Act No. 47 of 1980, as amended by Acts No. 56 of 1988 and 53 of 2000, and the regulations promulgated under the Act, stipulates the necessity of obtaining environmental licences for the listed projects. But the Sabha had deprived of Rs.56,000 in 14 instances in respect of businesses operating without obtaining environmental licences.

e) Three-wheeler Charges

The estimated revenue from Three-wheeler Park in the year under review had been Rs.200,000 and of this only a sum of Rs.96,675 had been collected.

f) Court Fines and Stamp Fees

The 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.642,664 and Rs.11,629,920 respectively.

3. Operating Review

3.1. Operating Inefficiencies

The Biogas Unit, which had been installed in the year 2010, utilizing Rs.384,096 of Sabha funds, had been in operational condition for about one month and subsequently had become non-operational. But it had not been made operative up to 2014. Although a sum of Rs.200,000 had been allocated for repairs in the budget for the year under review, this allocation had not been utilized.

3.2. Contract Administration

The following observations are made.

a) Development of Ethgala Singhapura Gammedda Road

According to the Item of Work No. 04, the concrete retaining walls should be constructed with a thickness of 10 inches with G 20 {1:2:4 ($\frac{3}{4}$ "}) concrete mixture. But during the

inspections carried out on 04 instances, revealed that the thickness varies to 6", 6", 5 1/2" and 6 1/2" respectively.

b) Development of Lakshaya Pihilla Stage 1

According to the Item of Work No. 04, the concrete retaining walls should be constructed with a thickness of 10 inches with G 20 {1:2:4 (3/4")} concrete mixture. But during the inspections carried out on 04 instances, revealed that the thickness varies to 7 1/2", 8 1/2", 7" and 6" respectively.

4. Accountability and Good Governance

4.1. Procurement Plan

Sabha had not prepared a Procurement Plan for the year under review

4.2. Audit and Management Committees

Sabha had not established Audit and Management Committees during the year under review.

4.3. Internal Audit

Adequate internal audit had not been carried out by the Sabha during the year under review.

4.4. Budgetary Control

When the budget for the year under review was compared with the values in the financial statements, variances in the range of 10% to 58% were observed in respect of 06 items of expenditure.

5. Systems and Controls

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

- a) Budgetary Controls
- b) Revenue Administration
- c) Contract Administration