

Gangaihala Korale Pradeshiya Sabha

Kandy District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 26 March 2015 while Financial Statements relating to the preceding year had been submitted on 25 March 2014. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 14 August 2015.

1.2 Opinion

In my opinion except for the effect on the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Gangaihala Korale Pradeshiya Sabha as at 31 December 2014 and its financial performance for the year then ended in accordance with generally accepted accounting principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following matters are observed.

- (a) A sum of Rs.237,000 receivable for the period from the year 1993 to the year 2012 in respect of 08 towers out of 10 transmission towers erected by 5 institutions in the area of authority of the Sabha had been omitted from the accounts.
- (b) Assets had been understated in a sum of Rs.3,255,570 due to accounting the sum of Rs.19,429,055 as Rs.16,173,485, paid for the construction of the building belongs to the Sabha.
- (c) Although sums of Rs.7,708,307 and Rs.11,509,118 had been spent respectively during the period from the year 2012 to the year 2014 for development of Athgala and Kurunduwatta play grounds according to the registers submitted to audit, value of the play grounds had not been assessed and accounted.
- (d) Three Wheeled Vehicles Parking Fees receivable amounting to Rs.536,750 for the years 2013 and 2014 had been omitted from the accounts.
- (e) A sum of Rs.1,099,245 recovered for damaging roads relevant to the years from 2010 to 2012 had been held in the General Deposits Account.

- (f) Provision had not been made in the accounts in respect of Lawyers Fees payable amounting to Rs.7,500 for the writ No. 33/13 dated 24 November 2014.
- (g) Advertisement Charges amounting to Rs.222,705 recoverable for the year under review had been recorded as Rs.61,000. Due to that, surplus for the year had been understated in a sum of Rs.161,705.

1.3.2 Non-reconciled Control Accounts

Although the balance relevant to Maintenance Grants and Payments according to Sundry Creditors Register was Rs.1,154,745, that balance according to the financial statements had been Rs.1,294,735. Accordingly a difference of Rs.139,990 was observed.

1.3.3 Accounts Receivable

While the total value of Accounts Receivable balances as at 31 December 2014 was Rs.79,790,772, out of that the total of 04 items which had exceeded a period of one year had been Rs.4,461,084.

1.3.4 Accounts Payable

While the total value of Accounts Payable balances as at 31 December 2014 was Rs.85,926,500, out of that the total of account balances which had exceeded a period of one year had been Rs.23,809,209.

1.3.5 Non-compliance with Laws, Rules, Regulations etc.

Following instances of non-compliance with laws, rules and regulations were observed in audit.

Reference to laws, rules, regulations management Decisions -----	Non-compliance -----
Pradeshiya Sabha (Finance and Administrative) Rules Series of 1988 (i) Rules 59-66	A survey had not been carried out with regard to Trading Bussinesses including Industries in the area of Authority of the Sabha at the beginning of the year under review by the Revenue overseer.

(ii) Rule 218

Sabha had not taken action to inspect
Land and Buildings annually

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2014 amounted to Rs.12,728,674 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.7,449,862 indicating an improvement of Rs.5,278,812 in the financial result.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

According to recoveries made during the year out of arrears of revenue as at 01 January 2014, the progress in recovery of Rates, Acreage Tax, Rent and Water Charges had been in a frail position and had taken a value less than 47 percent.

2.2.2 Rates and Acreage Tax

Recoveries out of revenue billed during the year relevant to Rates and Acreage Tax had taken a value less than 54 percent. While there was an accumulated balance in arrears amounting to Rs.2,065,066 at the beginning of the year under review, out of that only a sum of Rs.772,150 or 37 percent had been recovered. While billings during the year had been Rs.858,361, out of that collections had been only Rs.458,981 or 53 percent. Accordingly, total accumulated arrears as at 31 December 2014 had been Rs.1,756,578. Out of this balance a further sum of Rs.1,684,513 was outstanding to be recovered as at 30 June 2015. Out of arrears as at 31 December 2014 a sum of Rs.205,532 had been Rates due from Government institutions.

2.2.3 Arrears of Stalls Rent

- (a) Arrears of Stalls Rent / Lease Revenue due to the Sabha as at the end of the year under review were Rs.778,124.
- (b) While rent of stalls No. 01 and No.34 of the Kurunduwatta Market Complex had been in arrears continuously, action had not been taken to recover an arrears balance totaling Rs.207,272 as at 30 June 2015.

- (c) While the two stalls No. 03 and 13 of the Athgala Market Complex had been closed down, action had not been taken to recover rent amounting to Rs.142,200 from stall No. 03 as at the date of end of the year under review.
- (d) While stall No. 19 of the Athgala Market Complex had been given on rent for carrying out a fish stall for a period of 1 ½ years at a monthly rent of Rs.2,000, a sum of Rs.39,800 together with fines was due to be recovered as at 31 December 2014.

2.2.4 Lease Rent307

- (a) Agreements for 05 blocks of empty lands leased out during the year 2007 had been signed only during the year 2010.
- (b) While a sum of Rs.42,300 was due to be recovered for leasing out the old Pradeshiya Sabha building, action had not been taken to to recover that amount even up to June 2015. A sum of Rs.5,000 had been paid on 11 September 2013 as case fees, relevant to the case No. M 6656 pending in the Gampola Courts in this connection.

3. Operating Review

3.1 Management Inefficiencies

- (a) Fourteen Works valued at Rs.10,350,000 to be commenced and completed during the year had not been commenced.
- (b) Proper course of action had not been taken even up to 22 July 2015 with regard to 02 unauthorized constructions during the year 2013 and 14 unauthorized constructions during the year 2014.
- (c) Although a sum of Rs.5,000 should be recovered when a three wheeled vehicle is registered for parking under a three Wheeled Vehicles Park for the first time in terms of Gazette Notification No. 1840 dated 06 December 2013 of the Democratic Republic of Sri Lanka, action had not been taken to count the number and register three wheeled vehicles parking in 06 stands. By-laws too had not been sanctioned in this connection.
- (d) Action had not been taken from 2013 to 24 July 2015 to recover the sum of Rs.25,000 to be recovered through the case No. 50/06 in Gampola District Court.

3.2 Operational Inefficiencies

- (a) Bio Gas Unit commenced having spent a sum of Rs.384,090 out of Sabha Fund during the year 2011 had been defunct after about one month of its operation. It had not been put into order even up to July 2015. Although a sum of Rs.100,000 had been allocated in the

year under review, the entire amount allocated had been saved due to failure in taking action to repair it.

- (b) While a building of 1496 square feet had been provided to the vocational training centre, during the year 2011, any document was not available with the Pradeshiya Sabha in this connection. Action had not been taken to recover rent even up to July 2015 as well.

3.3 Idle Assets

Although goods valued at Rs.680,647 had been provided vide letter No. CPC/CLC/4/4/1/97-II dated 05 March 2014 of the Commissioner of Local Government on behalf of Mid Country Local Government Information Technology Promotion Project E –Nena Piyasa under Provincial Criteria Based Development Grants - 2013, that E –Nena Piyasa Promotion Project had not been commenced even up to July 2015 and assets valued at Rs.680,647 had been kept idle.

4. Accountability and Good Governance

4.1 Budgetary Control

It was observed according to the budget prepared for the year under review, that the budget had not been made use of as an effective tool of management as there were variations from 10 per cent to 42 per cent in 05 items of revenue and variations from 37 per cent to 61 per cent in 05 items of expenditure, when the estimated revenue and expenditure are compared with the actual revenue and expenditure.

4.2 Human Resources Management

Although there were vacancies as one post of tertiary level, 09 posts of secondary level, one post of preliminary service as at 31 December 2014, action had not been taken to fill those vacancies. Six surplus employees in 04 posts in the preliminary service had been retained without approval as well.

5. Systems and Controls

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

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