

Niyagama Pradeshiya Sabha
Galle District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 01 April 2015 while Financial Statements relating to the preceding year had been submitted on 31 March 2014. The Auditor General's Report relating to the year under review was issued to the Secretary to the Sabha on 29 September 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 Niyagama 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 Policies

Accounting Policies followed by the Sabha had not been disclosed with the financial statements.

1.3.2 Accounting Deficiencies

Following observations are made.

- (a) The value of the Proton Wheeled Tractor received as a donation during the year under review had not been accounted.
- (b) Expenditure incurred amounting to Rs. 2,834,516 during the preceding year for construction of the Public Market had not been capitalized.
- (c) While books valued at Rs. 5,210 received as donations for the library during the preceding year had not been capitalized, books valued at Rs. 14,219 removed had not been deleted from the financial statements.

- (d) Although the Debtors balance as at 31 December of the year under review according to the main ledger was Rs. 15,136,403, it had been shown as Rs. 22,461,680 in the financial statements. Due to that, Debtors had been overstated in a sum of Rs. 7,325,277.
- (e) Staff Loan Interest received amounting to Rs. 9,872 had not been shown as an income in the financial statements.
- (f) Although the Salaries and Wages Expenditure relevant to the year under review was Rs. 4,731,627, it had been shown as Rs. 4,722,136 in the financial statements. Due to that, expenditure for the year had been understated in a sum of Rs. 9,491.
- (g) Although the General Administration, , Supplies and Equipment Expenditure relevant to the year under review was Rs. 1,652,891, it had been shown as Rs. 1,604,036 in the financial statements. Due to that, the relevant expenditure had been understated in a sum of Rs. 48,855.
- (h) Although the Other Utility Services, Supplies and Equipment, Expenditure relevant to the year under review was Rs.508,202, it had been shown as Rs. 581,212 in the financial statements. Due to that, the relevant expenditure had been overstated in a sum of Rs. 73,010.
- (i) Although the Stamp Fees Revenue relevant to the year under review was Rs.2,885,540, it had been shown as Rs. 1,875,450 in the financial statements. Due to that, Stamp Fees Revenue had been understated in a sum of Rs. 1,010,090.
- (j) Although the Courts Fine Revenue relevant to the year under review was Rs.2,032,466, it had been shown as Rs. 1,863,133 in the financial statements. Due to that, courts Fines Revenue had been understated in a sum of Rs. 169,333.

1.3.3 Non-reconciled Control Accounts

- (a) A difference of Rs. 9,800 existed between the balances shown according to the Control accounts and subsidiary registers relevant to 02 items of accounts.
- (b) A difference of Rs. 312,802 existed between the balances shown according to the financial statements and schedules relevant to 05 items of accounts.

1.3.4 Lack of Evidence for Audit

Evidences such as Ownership Deeds up dated Fixed Assets Register, Board of Survey Reports, properly maintained Creditors and Debtors Registers, Age Analysis and Certificates of Confirmation of balances, connected with transactions totalling Rs.109,420,427 shown in the financial statements were not furnished to audit.

1.3.5 Non-compliance with Laws, Rules and Regulations

- (a) A sum of Rs. 891,634 had been paid to the Chairman, and 07 Members for 03 Foreign Study Tours out of the Sabha Fund which is not a function shown in Section 132 of the Pradeshiya Sabha Act No. 15 of 1987, for which legal provision had not been made for application of Pradeshiya Sabha Fund. An approval had not been obtained for going abroad too.
- (b) Although it is stated according to Section 219 of the Pradeshiya Sabha Act No. 15 of 1987, that any member or employees should not have any connection or financial interest directly or otherwise with regard to any agreement entered into with the Pradeshiya Sabha or any work implemented, a member of the Niyagama Pradeshiya Sabha had entered into agreements directly with the Pradeshiya Sabha.

2. Financial and Operating Review

2.1 Financial Results

According to the Financial Statements presented, excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2014 amounted to Rs. 1,299,322 as against the excess of revenue over recurrent expenditure for the preceding year amounted to Rs.832,556.

2.2 Revenue Administration

2.2.1 Rates

Action in terms of Section 158 (1) (a) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken to recover Rates amounting to Rs. 335,939, due to be recovered to the Pradeshiya Sabha relevant to the year under review and past years.

2.2.2 Acreage Tax

Action in terms of Section 158 (1) (a) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken to recover Acreage Tax amounting to Rs. 81,508, due to be recovered to the Pradeshiya Sabha relevant to the year under review and past years.

2.2.3 Lease Rent

Action in terms of Section 159(1) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken during the year under review as well, to recover Lease Rent amounting to Rs.113,305 due to be recovered to the Pradeshiya Sabha relevant to the year under review and past years.

2.2.4 Lease of Stalls

Although Thalgasvila , Gallinda two storied Trade Complex Economic Centre consisting 14 stalls had been transferred to the Sabha during the year 2009 by the Niyagama Divisional Secretary, those stalls had not been leased out up to 13 August 2015, date of audit. At the physical inspection carried out with regard to stalls, it was observed that the entire 14 stalls had been kept closed. Accordingly, the revenue to be received to the Sabha during the 06 years had been lost.

2.2.5 Trade License Fees

Action in terms of Section 152(4) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken during the year under review as well, to recover License Fees amounting to Rs.100,817 due to be recovered to the Pradeshiya Sabha relevant to the year under review and past years.

2.2.6 Court Fines and Stamp fees

Courts Fines amounting to Rs. 871,000 and Stamp Fees amounting to Rs. 4,831,584 were receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2014.

2.3 Surcharges

A sum of Rs. 176,854 was due to be recovered as at 31 December 2014 in connection with surcharges imposed against the persons responsible during the past years in terms of provisions in the Pradeshiya Sabha Act No.15 of 1987.

3. Operational Review

3.1 Management Inefficiencies

Declaration of Assets and Liabilities as required in terms of the Declaration of Assets and Liabilities Act No.01 of 1975 as amended by the (Amendments) Act No. 74 of 1988 had not been submitted for the year under review by 06 Members of the Sabha even as at 14 August 2015.

3.2 Operating inefficiencies

Recovery of Loan balances totalling Rs.16,901 due from 05 employees who were in service of the Sabha and left on transfers and retired had been in arrears since a period prior to the year 2006.

3.3 Idle Assets

Although it had been informed to prepare a scheme for disposal of old vehicles and machinery getting destroyed without being used in Government Institutions by 05 September 2013, vide Circular No. PCMD/PR/2013 dated 05 June 2013 issued by the Secretary to the President, It was observed in the audit inspection carried out on 28 August 2015, that a tractor, a Trailer and a Cab Vehicle belong to the Sabha were getting corroded in the Sabha ground.

3.4 Improper Transactions

Following observations are made.

(a) Purchase of Fuel on Cash Basis

A sum of Rs. 460,087 had been got reimbursed from the Sabha Fund , for 3834 liters of fuel purchased on cash basis during the year 2014 , without obtaining fuel through Fuel Orders , for the cab vehicle used by the Chairman.

Daily Running Charts and Monthly Performance Summaries of the vehicles belong to the Sabha had not been submitted to the Auditor General.

(b) Obtaining a vehicle on the basis of providing fuel

A vehicle belongs to a private party had been obtained on the basis of providing fuel from the Sabha and had been used by the Chairman from 14 June to 08 September 2014. Sabha Funds amounting to Rs. 185,880 had been spent for 1150 liters of fuel used for this vehicle during that period.

Following observations are made.

(i.) Reasons for providing a private vehicle for Sabha work were not disclosed to audit.

(ii.) While fuel orders had not been used for obtaining fuel for this vehicle, cash payments had been made to the Chairman on the basis of bills submitted by him. Running charts had not been written to back up running with regard to 1150 liters of fuel utilized for the vehicle during the relevant period.

3.5 Solid Waste Management

An area in extent of 1 ½ acres in Pitigala, Mahawatta Land situated in the area of authority of the Sabha had been used for disposal of waste since the year 2006 . While a Compost Unit had been constructed through the Pilisaru Project having spent a sum of

Rs. 5,098,338 during the period from the year 2007 to 2012, it was revealed that 3.5 tons of garbage had been collected per day and a production of 200 kilo grams of compost had been made. While bringing garbage to the land had been stopped as at the date of audit on 24 August 2015, compost production had been stopped with effect from 19 June 2015. Action had been taken for disposal of garbage to the area of authority of Walallawita Pradeshiya Sabha in Kalutara District incurring an additional cost.

4. Accountability and Good Governance

4.1 Budgetary Control

Material variations of revenue and expenditure between the budget estimates and the actual were observed. Accordingly, it was observed that the budget had not been made use of as an effective tool of management.

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