

**Galgamuwa Pradeshiya Sabha**

**Kurunegala District**

**1. Financial Statements**

**1.1. Presentation of Financial Statements**

Financial Statements for the year under review had been submitted to the Audit on 23 March 2015 while Financial Statements relating to the preceding year had been submitted on 11 March 2014. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 23 July 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 Galgamuwa Pradeshiya Sabha at 31 December 2014 and its financial performance for the year then ended in accordance with Public Sector Accounting Standards of Sri Lanka.

**1.3. Comments on Financial Statements**

**1.3.1. Accounting Deficiencies**

Following accounting deficiencies are observed.

- (a) Although the deficit as at the end of the year under review was Rs. 1,344,747, it had been deducted as a surplus from the debit balance of the Accumulated Fund Account and had been shown in the financial statements. Due to that, the claim as at the end of the year had been overstated in a sum of Rs. 2,689,494. Although the debit balance of the Asian Development Bank Loans Assistance Bank Account was Rs. 667,136, it had been shown as Rs. 3,165,338 in the financial statements, overstating in a sum of Rs. 2,498,202.
- (b) A sum of Rs. 949,640 received as Capital Receipts in November 2014 (3/80) according to Summary Revenue Register (P.S.19), had not been recorded in Capital Receipts Ledger. Due to that revenue for the year had been understated to that extent.

- (c) Although the Salary Reimbursements received during the year 2014 relevant to the year 2013 was Rs. 1,041,788 according to the Salary Reimbursements Register, a sum of Rs. 1,127,340 had been debited to the Revenue Grants Account through the journal entry No. 25. Due to that, Revenue for the year had been understated in a sum of Rs. 85,552.
- (d) When accounting the amounts payable as at 31 December 2014 to the Local Government Pension Fund as Creditors through the journal entry No. 23, the installment amounting to Rs.73,300 for the year under review too had been debited to the Accumulated Fund. Due to that, expenditure for the year had been understated in a sum of Rs. 73,300.
- (e) Pre-payment Money ( Key Money) amounting to Rs. 2,000,000 received in June 2014 for the Lawyers Office Building had been credited to Bus Stand Entrance Fees (5-43) Revenue. While this money had been refunded during December 2014, at that time the Grants, Contributions and Subsidies Expenditure Account had been debited instead of debiting the Revenue Head 5-43. Due that Revenue for the year had been overstated in a sum of Rs. 2,000,000 while expenditure too had been overstated in a sum of Rs. 2,000,000.
- (f) Although the Interest Expenditure was Rs. 1,688,154 according to the payments reports for the Local Loans and Development Fund, Interest Expenditure had been shown as Rs. 1,574,664. Due to that, expenditure for the year had been understated in a sum of Rs. 113,490.
- (g) Although the Interest Account had been debited in a sum of Rs. 103,125 according to the Monthly Consolidated Expenditure Summary (P.S. 14) for July 2014, it had not been taken as expenditure to the Statement of Financial Operations. Due to that, expenditure for the year had been understated in a sum of Rs. 103,125.
- (h) A sum of Rs. 643,580 receivable for engaging the service of the Road Roller belongs to the Sabha from 21 August to 31 December of the year under review had not been identified as Debtors and accounted. .Due to that, Revenue for the year and Revenue Debtors had been understated to that extent.

- (i) Although the Motor Grader Debtors balance relevant to the year 2014 was Rs.753,298, it had been shown as Rs.1,881,955. Due to that, Hire Charges Revenue and Revenue Debtors had been overstated in a sum of Rs.1,128,657.
- (j) Refund of Tender Deposits amounting to Rs.375,719 had been debited to Motor Grader Revenue and Expenditure Account overstating expenditure to that extent.

### **1.3.2. Contingent Liabilities**

The balance Payable to the Local Government Service Pension Fund on behalf employees who were in service of the Sabah and retired was Rs. 2,200,334. Sabha was not aware of the particulars of employees with regard to the monthly payment made at the rate of Rs. 5,963 to that Fund.

### **1.3.3. Unreconciled Control Accounts**

Non-reconciliations in a sum of Rs. 137,649 were observed between the accounts and relevant registers relating to 03 items of accounts under final balances as at the end of the year under review.

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

- (a) Value of Balances Receivable as at 31 December 2014 was Rs. 58,456,976. Out of that a sum of Rs. 15,112,161 as 25.85 per cent approximately were balances brought forward more than 2 years ago. While balances totaling Rs. 8,977,287 as advances were in the Accounts Receivable, an advance balance of Rs. 8,139,113 given from the General Account for the Motor Grader Bank Account too was included therein.
- (b) Value of Balances Payable as at 31 December 2014 was Rs. 86,496,277. Out of that a sum of Rs. 4,958,698 as 5.7 per cent were balances brought forward more than 2 years ago. Works Creditors balance of Rs. 77,410,776 and a deposit Balance of Rs. 2,726,538 were included in the Accounts Payable.

## **2. Financial Review**

### **2.1. Financial Results**

According to the Financial Statements presented, operational surplus of the Sabah for the year ended 31 December 2014 had been Rs. 7,068,168 as compared with the corresponding operational surplus amounted to Rs. 7,715,293 in the preceding year indicating a decline of Rs.647,125 in the financial result. When Capital Grants of Rs. 57,814,522 and Capital Expenditure of Rs. 66,217,438 are adjusted to this operational result, financial result relevant to the year under review had become a deficit of Rs. 1,134,748.

### **2.2. Analytical Financial Review**

Following matters are observed.

- (a) Out of the total Recurrent Revenue of Rs.68,782,125 relevant to the year under review, a sum of Rs. 48,849,307 as 71 per cent approximately was consisting revenue not falling under a nature generated in the Sabha such as Court Fines, Stamp Fees and Salary Reimbursements. Similarly, the entire Capital Revenue of Rs. 57,814,522 was consisting funds provided for development activities of the area of authority through other institutions from sources such as Gama Neguma and Maga Neguma.
- (b) Out of the total Recurrent Expenditure of Rs. 61,713,956 relevant to the year under review, a sum of Rs. 37,188,016 as 60.2 per cent approximately was expenditure for Personnel Emoluments. Out of that, a sum of Rs. 35,932,774 as 96.6 per cent approximately, had been provided by the Commissioner of Local Government as salary reimbursements. That value had been accounted under Other Revenue. Similarly, out of the Capital Expenditure of Rs. 66,227,438, a sum of Rs. 57,814,522 as 87.3 per cent were development works performed out of the provisions from other sources such as Gama Neguma and Maga Neguma.

### **2.3. Revenue Administration**

#### **2.3.1. Lease Rent**

Following observations are made.

- (a) There was an Arrears Lease Rent Balance totalling to Rs. 967,635 as Rs. 117,615 relevant to the year 1994, Rs. 16,755 relevant to the year 2009, Rs. 367,284 relevant to the year 2011, Rs.189,105 relevant to the year 2012 and Rs. 276,876 relevant to the year 2013.
- (b) Out of the 22 stalls in the Galgamuwa Public Market given on the basis of Pre-payment Method, an arrears of stall rent amounting to a total value of Rs. 304,400 in a range between 29 – 34 monthly installments relevant to 11 stalls and an arrears of stall rent amounting Rs. 129,810 relevant 06 stalls in the down floor of the Galgamuwa Bus Stand existed.
- (c) Action had not been taken to recover arrears of rent amounting to Rs,21,180 up to the year 2012 relevant to stalls No. 81 to 99 removed when constructing the new stalls in the Bus Stand.

#### **2.3.2. Machine Rent**

Following observations are made.

- (a) A sum of Rs. 2,860,267 was outstanding to be recovered for hiring out the Motor Grader during the period from the year 2009 to 2014 as at the end of the year under review. Out of that a sum of Rs.1, 502,646 was to be transferred to the Motor Grader Account on account of Sabha works.
- (b) While a sum of Rs.1, 499,554 was in arrears as at the end of the year under review relevant to the Road Roller, out of that, a sum of Rs.457,940 was to be recovered from outside parties. Similarly, a sum of Rs. 2,680,837 was outstanding to be recovered relevant to hiring out the JCB Machine.

### **3. Operating Review**

#### **3.1. Management Inefficiencies**

While the approved cadre of the Sabha at the end of the year under review was 100, actual cadre had been 119. There was a surplus of 24 posts and 05 posts had been vacant. In that the Post of Secretary and 01 of the 03 posts of Librarians had been vacant while 19 Posts of Development Officers had been in excess.

#### **3.2. Under-utilized Assets**

Mini Kubota Tractor bearing No. 49-1976 had not been used during a period of about 5 years.

#### **3.3. Contract Administration**

Following observations are made.

- (a) While 31 Works valued at Rs. 5,775,000 planned to be implemented during the year 2014 under Gama Neguma Provisions and Walas Wewa, Porasun Kulama Water Project planned to be implemented during the year 2014 on the basis of Deyata Kirula Development provisions had not been implemented, 4 contract Works awarded amounting to Rs. 500,000 on the basis of 2014 National Plan for Door to door from Village to Village Economic Development had not been implemented during the year 2014.
- (b) While concreting work of the road from Mahananneriya South, Pahala Dumbuluwawa to Maha Dumbuluwawa had been performed for an estimated sum of Rs.990,099 on the basis of the One Job for One Village Provisions, it was observed in the physical inspection carried out on 19 March 2015 that two parts of the work estimated for Rs.49,490 had not been performed.

### **4. Accountability and Good Governance**

#### **4.1. Budgetary Control**

Although a Recurrent Revenue of Rs. 87,233,564 and a Capital Revenue of Rs. 73,000,000 had been estimated according to the Budget for the year under review, out of that a sum of Rs. 68,782,125 as 79 per cent approximately under Recurrent Revenue and a sum of Rs.57,814,522 as 79 per cent approximately had been reached. While the estimated revenue to be generated by the Sabha was Rs. 29,454,120, revenue recovered had been Rs. 19,932,817.

**5. Systems and Controls**

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

- a) Accounting
- b) Budgetary Controls
- c) Financial Control
- d) Assets Management
- e) Contracts Administration