

Galigamuwa Pradeshiya Sabha

Kegalle District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 14 May 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 sent to the Secretary of the Sabha on 24 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 Galigamuwa Pradeshiya Sabha at 31 December 2014 and its financial performance and cash flow 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) The value of Rs. 17,090 relevant to shortages of 154 books in the Libraries at Galigamuwa, Batuwatta and Pitagaldeniya had not been adjusted to Libraries Account and Contribution from Revenue to Capital Outlay Account.
- (b) The value of Furniture and Equipment amounting to Rs. 256,626 written-off as per recommendations of the Boards of Survey for the years 2012 and 2013 had been debited to the Accumulated Fund instead of adjusting it to the Contribution from Revenue to Capital Outlay Account.
- (c) The value of the Batuwatta, Dickhidawatta Land in extent of 44 perches amounting to Rs. 100,000 obtained in approving the blocking out Plans of land had not been accounted under Fixed Assets.

- (d) Value of 09 Blocks of Land in extent of 09 acres and 02 ½ ruda shown in the Register of Fixed Assets had not been computed and accounted.
- (e) Value of Books amounting to Rs. 107,182 received as donations to the 03 Libraries during the year under review had not been accounted as donations. Due to that, value of Fixed Assets had been understated to that extent.
- (f) Stamp Fees Staff Allowance payable for the year under review and the preceding year amounting to Rs. 33,825 and Rs. 48,625 respectively had not been accounted under Creditors. Due to that, expenditure for the year under review had been understated in a sum of Rs. 82,450.
- (g) The value of the Equipment amounting to Rs. 109,280 in the custody of the officers in the office had been inappropriately debited to the Accumulated Fund. Due to that, value of assets of the year had been understated to that extent.

1.3.2 Unreconciled Control Accounts

According to the Board of Survey Reports, value of Library Books Balance as at the end of the year under review was Rs. 2,695,352, while according to the Ledger Accounts, it had been Rs. 2,758,710 indicating a difference of Rs. 63,358.

1.3.3 Accounts Receivable and Payable

- (a) Action had not been taken to get settled the Work advance of Rs. 200,000 paid during the year 2014.
- (b) Value of Accounts Payable that had elapsed more than a year as at 31 December 2014 was Rs. 704,444.

1.3.4 **Non-compliance with Laws, Rules and Regulations**

Non-compliance with the following laws, rules, regulations and management decisions were observed in audit.

<u>Reference to Laws, Rules, Regulations and Management Decisions</u>	<u>Non-compliance</u>
(a.) Entertainment Tax Ordinance No. 12/1946	- Although Entertainment Tax could be recovered only after a Sabha sanction, and getting approved by the Minister in charge of the subject and thereafter publication in the Gazette, the regulations referred to in had not been followed in recovering a sum of Rs. 91,750 during the year 2014.
(b.) Stamp Duties (special Provisions) Act No. 12 of 2006	- Although the Stamp Duties relevant to each quarter should be remitted to the Commissioner General of Inland Revenue before 15 th day of the ensuing month, Stamp Duties amounting to Rs. 21,500 to be recovered for the period from the year 2010 to 31 December 2014 had not been remitted up to December 2015.
(c.) Financial regulation of the Republic of Sri Lanka F.R. 396 (d)	- Action in terms of financial Regulation had not been taken with regard to 23 time lapsed cheques amounting to Rs.53,840 which had exceeded a period of 06 months.

- Action had not been taken to settle 101 time lapsed Deposit Balances totalling Rs. 596,846.

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.8,148,969 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.1,675,355 indicating an improvement of Rs.6,473,414 in the financial results.

2.2 Analytical Financial Review

The increase in 05 Items of Revenue and decrease in 04 Items of Expenditure had mainly affected the improvement of financial results in a sum of Rs. 6,473,414.

2.3 Revenue Administration

2.3.1 Performance of Collection of Revenue

Information on the estimated revenue actual revenue and the arrears of revenue relating to the year under review as presented by the Chairman is shown below.

Source of Revenue	Arrears as at 01.01.2014	Recoveries out of Arrears as at 31.12.2014	Billings during the year	Recoveries out of billings for the year	Recoveries out of arrears as at 01.01.2014	Out of billings for the year	Total Arrears
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
(i) Rates and Taxes	521,859	333,329	2,385,000	2,065,510	188,530	319,490	508,019
(ii) Lease Rent	7,500	2,250	3,566,000	1,685,594	5,250	1,880,405	1,885,655
(iii) Licence Fees	52,050	2,200	727,175	748,608	25,700	(21,433)	4,267
(iv) Other Revenue	-	-	2,332,000	3,176,461	-	(844,461)	(844,461)

Balances of Revenue in Arrears shown as at 31 December 2014 did not agree with the balances shown in the statement of accounts.

2.3.2 Rates

Action had not been taken in terms of Section 158(1) of the Pradeshiya Sabha Act No. 15 of 1987 with regard to rate payers who had defaulted payments over a long period in order to recover rates in arrears.

2.3.3 Court Fines and Stamp Fees

Amounts receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2014 are shown below.

	Rs.
i. Court Fines	680,084
ii. Stamp Fees	9,310,211

	9,990,295
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2.3.4 License Fees

Action had not been taken to recover a sum Rs. 22,000 as License Fees from 08 Saw Mills, 09 Carpentry Sheds, 02 Furniture making Entities, a Brick Kiln and a Block Stones Work-Shop which had obtained Environmental Licenses for the years 2013 and 2014.

2.3.5 Meats Stalls Lease Rent

According to the Condition 3 of the agreement relevant to lease of Kotiyakumbuara Beef Stall for the year 2014, it had been stated that action will be taken to cancel the agreement in the event of non-payment of the monthly lease rent and the fines for the delay before 15th day of the month. However, it had been allowed to carry on the business up to 31 December, although the payment of lease rent had been defaulted since August 2014. Due to that, it had not been possible to recover an arrears sum of Rs.525,148.

3. Operating Review

3.1 Management Inefficiencies

- (a) Action had not been taken to transfer 10 vehicles in favor of the Sabha, provided to the Sabha through the Sabaragamuwa Provincial Council.
- (b) A quantity of 200 Flag Posts valued at Rs. 221,428 had been issued to the Members deviating from a proper issuing procedure.
- (c) Out of 480 Flag Posts valued at Rs. 531,428 received to the Sabha on 17 November 2014, 31 Flag Posts valued at Rs. 34,321 were not available in the Sabha.

3.2 Idle and Underutilized Assets

A cash balance of Rs. 46,582 in a bank account belongs to the Sabha had been dormant since the year 2013.

3.3 Un-economic Transactions

Although a sum of Rs. 495,467 had been spent for modernization of the Fair Ground of the Sabha during the year 2013, those buildings had been demolished and removed during the year 2014.

4. Accountability and Good Governance

4.1 Internal Audit

Although it is a duty of the Chairman to carry out an adequate internal audit with regard to Finance and Stores in terms of Rule 5.7 of the Financial Administrative Rules Series of 1988, action had not been taken accordingly.

5. Systems and Controls

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

- (a.) Accounting
- (b.) Internal Control
- (c.) Revenue Administration
- (d.) Assets Management
- (e.) Debtors and Creditors Control