

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 Audit on 15 March 2016 while Financial Statements relating to the preceding year had been submitted on 23 March 2015. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 14 July 2016.

1.2 Qualified 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 as at 31 December 2015 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 accounting deficiencies are observed.

- (a) Staff loans amounting to Rs. 2,585,899 at the end of the year under review had been shown as Rs. 2,619,048 in the financial statements, overstating a sum of Rs.33,159 in the accounts.
- (b) The sum of Rs.125,000 to be debited to the General Supplies Creditors Account had been debited to the Sundry Creditors account through Journal Entry No. 30, without being debited to that account.
- (c) 107 Works Debtors Balances amounting to Rs. 7,797,390 shown as un-identifiable in the financial statements of the preceding year had been written-off without proper approval. Due to that, Accumulated Fund and Works Debtors had been understated to the extent of that value.

1.3.2 Non-reconciled Control Accounts

Non-reconciliations in a sum of Rs. 382,839 were revealed between the balances relevant to 03 items of accounts at the end of the year under review and the balances in the corresponding subsidiary registers.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

Following matters are observed.

- (i) The value of balances remained unrecovered during a period exceeding 3 years included in the Motor Grader Debtors balance of Rs. 4,816,542 had been Rs. 1,995,496
- (ii) Stalls Rent amounting to Rs. 762,022 due as at 31 December of the year under review included 39 Balances amounting to Rs. Rs. 503,729 in arrears since a period prior to the year 2010.
- (iii) Rates in arrears amounting to Rs. 237,600 as at 31 December of the year under review had been outstanding since period ranging from 02 to 20 years.
- (iv) Out of Tender Fees in arrears amounting to Rs. 772,983 as at 31 December of the year under review, a sum of Rs. 254,651 or 33 percent had been outstanding since a period ranging from 02 to 05 years.
- (v) While Deposits of Agreements in arrears as at 31 December of the year under review amounted to Rs. 1,603,426, a sum of Rs. 866,309 or 54 percent had been in arrears since a period ranging from 02 to 12 years.

(b) Accounts Payable

There were 196 un-settled Sundry Deposits balances amounting to Rs.1 966,732 during a period ranging from 01 to 12 years as at 31 December f the year under review.

1.3.4 Lack of Evidence for Audit

Schedules were not furnished to confirm the balance of Rs. 250,000 accounted under Staff Loans and Advances during the year under review.

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

Acton in terms of Financial Regulation 571 of the Republic of Sri Lanka had not been taken with regard to Deposits Payable amounting to Rs. 1,927,232 elapsed more than 02 years and brought forward since the year 2010.

02 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 2015 had been Rs 15,557,272 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 7,068,168 indicating an improvement of Rs. 8,489,104 in the financial result. After adjustment of the Capital Grant amounting Rs. 15,358,245 and Capital Expenditure amounting to Rs. 72,844,998 to this, operating result, financial result for the year under review had become a deficit of Rs. 41,929,581.

2.2 Analytical Financial Review

Following matters are observed.

- (a) Actual revenue and expenditure relevant to the year under review and the preceding year and relevant variations are shown below.

Source of Revenue	Revenue			Expenditure Item	Expenditure		
	2015	2014	Variance		2015	2014	Variance
	Rs.000	Rs.000	Rs.000		Rs.000	Rs.000	Rs.000
(i) Generated Revenue	19,556	19,933	(377)	Personal Emoluments	50,417	37,188	12,959
(ii) Others	<u>68,461</u>	<u>48,849</u>	<u>19,612</u>	Others	<u>22,313</u>	<u>24,526</u>	<u>(2,213)</u>
				Sub total	72,460	61,714	10,746
Sub total	88,017	68,782	19,235				
(iii) Capital Grant	15,358	57,815	42,457	Capital	72,845	66,227	6,618
	-----	-----	-----	Expenditure	-----	-----	-----
	103,375	-----	23,222		145,305	127,941	17,364
Grand Total	=====	126,597	=====	Grand Total	=====	=====	=====
	15,557	=====	8,489		(41,930)	(1,344)	(43,274)
Operational Surplus		7,068		Surplus/ Deficit			

- (b) Out of the total Recurrent Revenue of Rs.88,016,946 relevant to the year under review, a sum of Rs. 68,460,663 or approximately 78 per cent was revenue not falling under a nature generated in the Sabha and were receipts in the nature of grants such as Court

finances, Stamp Fees and Salary Reimbursements. Similarly, the entire capital revenue of Rs. 15,358,145 was consist of funds received for development works in the area of authority through other institutions from sources such as Gama Neguma and Maga Neguma.

2.3 Revenue Administration

2.3.1 Performance in Revenue Collection

Estimated Revenue, Actual Revenue and Arrears of Revenue relevant to the year under review and the preceding year were as shown below.

2014	Item of Revenue	2015					
		Estimated	Actual	Accumulated Arrears as at 31 December	Estimated	Actual	Accumulated Arrears as at 31 December
		000	000	000	000	000	000
	(i) Rates and Taxes					000	
	(ii) Lease Rent	1,018	1,192	300	1,230		473
	(iii) License Fees	9,620	10,083	880	8,400		2,021
	(iv) Other Revenue	2,322	2,322	--	2,340	1,201	--
		65,190	76,665	11,658	60,854		15,916
		-----	-----	-----	-----	5,852	-----
		78,150	90,262	12,838	72,824		18,410
	Total	=====	=====	=====	=====	2,224	=====

Following matters are observed.

- A surcharge of Rs. 8,122 which should be recovered in setting off the security deposits for delayed payment of taxes in terms of the lease agreements during the year under review had not been recovered.
- Meat Stalls Rent in arrears to be recovered for the year under review had been Rs.114,465.
- According to the Register of Lease Rent in Arrears, there was a balance of Rs. 892,487 as Lease Rent in arrears in respect of 13 assets for the period from the year 2009 to up to the year 2014 as at the end of the year under review too.

- (d) Key Money of 21 stalls amounting to Rs.4,059,522 was due to be recovered since a period of 2 – 3 years as at the end of the year under review.
- (e) According to Stalls Rent Register, Rent balances of 90 Stalls totaling Rs. 824,142 were in arrears during a period from 01 to 05 years as at the end of the year under review.
- (f) Although there were 22 telephone transmission towers in the area of authority of the Saba, Development Permits and Certificates of Conformity had not been obtained for those, while License Fees for the year under review too had not been obtained.
- (g) While 12 stalls out of 37 stalls in the Galgamuwa Public Market had been given for a sum of Rs. 9,614,644 having called for tenders up to 06 March 2012 on Lump Sum Payment basis, it was not possible to identify specifically the amounts recovered and the amounts in arrears due to failure in maintenance of registers properly.

03. Operating Review

3.1 Management Inefficiencies

Contributions Payable by the Sabha to the Local Government Pension Fund on behalf of employees who served in the Pradeshiya Sabha and retired had not been duly paid. Accordingly, the amount payable to that Fund as at the end of the year under review had become Rs. 2,246,901. Similarly, the Sabha was not aware of the particulars of employees with regard to the sum of Rs. 59,318 paid by the Sabha during the year under review.

3.2 Contracts Administration

Following matters are observed.

- (a) While the Project for providing Pre-school Equipment to 28 pre-schools on the basis of provision of Rs. 1,400,000 under the Gama Neguma Special Project - 2014 had been implemented on contract basis through the Sabha, funds had been provided by the Galgamuwa Divisional Secretary for 06 schools out of 28 Pre-schools only. Although it had been informed vide letter No. 403/01/0108/2014 dated 29 December 2015 of the Divisional Secretary that sport equipment provided were not up to the standard and that those do not conform to the plans and instructions and therefore funds cannot be provided for the balance 22 schools. However, the Sabha had spent a sum of Rs. 485,000 out of Sabha Fund for the purchase of 11 equipment for 11 Pre-schools.
- (b) At the physical inspection carried out on 31 March 2016 with regard to sport equipment in 06 Pre-schools, it was observed that wires welded to the Merry Go Rounds had got unfastened and had become unserviceable.

04. Accountability and Good Governance

4.1 Assets Management

Idle / Under-utilized Assets

The mini Kubota tractor bearing No. 49-1976 had been parked in the office premises since a period of about 06 years without being used.

05. Systems and Controls

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

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