

## **Galigamuwa Pradeshiya Sabha**

### **Kegalle District**

#### **1 Financial Statements**

##### **1.1 Presentation of Financial Statements**

The financial statements for the year under review had been presented to audit on 31 March 2016 and the financial statements for the preceding year had been presented on 14 May 2015. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 16 June 2016.

##### **1.2 Opinion**

In my opinion, except for the effects of the matters shown in paragraphs 1.3 of this report, the financial statements give a true and fair view of the financial position of the Galigamuwa Pradeshiya Sabha as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

##### **1.3 Comments on Financial Statements**

###### **1.3.1 Accounting Deficiencies**

- (a) Furniture and Equipment valued at Rs.256,626 which had been disposed of during the Year under review as per recommendations of the board of survey for the years 2012 and 2013 had been debited to the Accumulated Fund instead of being adjusted in the Revenue Contributions for Outlay Account. As a result, the balance of the Revenue Contributions for Outlay Account had been overstated by a similar amount and the Accumulated Fund had been understated by a similar amount.
- (b) The extent of land consisting of 13 acres and 95 perches with 15 blocks which had been Included in the register of fixed assets and 05 blocks of land, the extent of which had not been stated, had not been assessed and accounted for. As a result, the value of fixed assets had not been correctly shown.
- (c) According to the machine and machinery schedule there were 763 units of 93 items. The value of assets had been understated as the value of these had not been assessed and brought to account.
- (d) According to the furniture and fittings schedule, there were 34 units of 22 items, the value of which had not been assessed and brought to account resulting in an understatement of the value of assets.
- (e) The expenditure creditors of the year under review had been shown as Rs.12,563,995. But, a sum of Rs.65,767 had been understated as per paid vouchers.

- (f) Assets had been depreciated on a straight line method. But, a provision for depreciation account had not been shown in the financial statements.
- (g) Library books had not been depreciated. Books valued at Rs.272,472 received as donations In 2015 had been debited in the Library Books Account and credited in the accumulated Fund and Shortages Account.

### 1.3.2 **Unreconciled Control Accounts**

The balance of an item of account amounted to Rs.1,523,417 as per financial statements whereas the balance of the account amounted to Rs.1,663,667 as per related subsidiary registers/reports resulting in a difference of Rs.140,250.

### 1.3.3 **Accounts Receivable and Payable**

- (a) Employees' loan balances of over 01 year receivable as at 31 December 2015 amounted to Rs.95,000.
- (b) The balances of accounts payable for over 01 year as at 31 December 2015 were valued at Rs.2,584,402.

### 1.3.4 **Non-compliance with Laws, Rules, Regulations etc.,**

The following non-compliances with laws, rules, regulations and management decisions were observed in audit.

<b><u>Reference to Laws, Rules, Regulations and Management Decisions</u></b>	<b><u>Non-compliance</u></b>
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| (i) F.R 396  | Action had not been taken in accordance with the said regulation with regard to 34 lapsed cheques for over 6 months amounting to Rs.36,748. |
| (ii) F.R 571 | Action had not been taken regarding 289 lapsed deposit balances totalling Rs.489,762.   |

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the revenue over recurrent expenditure of the Sabha for the year ended 31 December 2015 amounted to Rs.3,954,917 as compared with the revenue over recurrent expenditure of the preceding year amounting to Rs.8,148,969 resulting in a deterioration in financial results of the year under review by Rs.4,194,052.

### 2.2 Analytical Financial Review

Decrease in 04 items of revenue and the increase in 04 items of expenditure had mainly attributed to the deterioration in financial results by Rs.4,194,052.

### 2.3 Revenue Administration

#### 2.3.1 Performance in Collection of Revenue

The information relating to revenue billed, actual revenue and the arrears of revenue, as presented by the Secretary appear below.

	<b>Source of Revenue</b>	<b>Arrears as at 01 January 2015</b>	<b>Recoveries out of the arrears as at 31 December 2015</b>	<b>Amount billed for 2015</b>	<b>Recoveries out of the amount billed for 2015</b>	<b>Arrears as at 01 January 2015</b>	<b>Arrears out of amount billed for the year</b>	<b>Total Arrears</b>
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i)	Rates and Taxes	542,193	346,782	1,710,907	1,233,347	195,411	477,560	672,971
(ii)	Lease Rent	526,646	1,500	2,416,022	2,299,392	525,146	116,630	641,776
(iii)	Licence Fees	77,300	73,500	687,868	687,868	3,800	-	3,800
(iv)	Other Revenue	9,310,211	6,830,074	9,957,970	2,793,739	2,480,137	7,164,231	9,644,368

#### 2.3.2 Rates and taxes and the Acreage Tax

According to Section 158(1) of the Pradeshiya Sabha Act No:15 of 1987, the properties belonging to the owner of the place could be sold by a restraining order or the amount could be recovered if the rates and taxes or the acreage tax had not been paid. However, legal action had not been taken to do so with regard to non payment of taxes for a long time. The arrears recoverable as at 31 December 2015 amounted to Rs.640,248.

### 2.3.3 **Telecommunication Tower Charges**

The Sabha had not recovered Rs.48,000 as business tax for 16 telecommunication towers constructed within the area of the Sabha.

## 3. **Operating Review**

### 3.1 **Management inefficiencies**

The Sabha had not taken action to acquire 14 vehicles and machinery valued at Rs.46,075,650 which had been given to the Pradeshiya Sabha by the Sabaragamuwa Provincial Council and the Ministry of Local Government.

### 3.2 **Operating Inefficiencies**

- (a) Action had not been taken to identify the required infrastructure facilities and to maintain them to be implemented within the area of the Sabha under the 2014 Strengthening of Pradeshiya Sabha Programme. As such, out of the sum of Rs.7,000,000 that could have been obtained, a sum of Rs.4,000,000 only had been received. Of this, a sum of Rs.2,165,274 had been spent. Accordingly, a sum of Rs.1,834,726 had been returned to the Ministry of Local Government and Provincial Council from the provision obtained.
- (b) In addition to the financial provision, machinery, such as. Loader, Galie Bowser, Water Bowser, Motor Grader etc., had been given in order to implement the infrastructure facilities within the authoritative area of the Sabha. However, the Sabha had failed to identify the infrastructure needed and to achieve its targets.

## 2.3 **Identified Losses**

- (a) The Secretary of the Chief Ministry of the Provincial Council had issued permanent appointment letters to 09 employees who had been employed by the Sabha on service agreements. However, the Sabha had paid contributions to the Employees' Provident Fund and the Employees' Trust Fund at 12 per cent and 3 per cent respectively even after issuing the letters causing a loss of Rs.85,598 to the funds of the Sabha.
- (b) The Director General of Pensions had drawn attention to appoint all casual, temporary, substitute, daily paid employees recruited by local authorities on the basis of making contributions to the Public Service Provident Fund by his Circular No.02/2011 (Amendment) of 20 July 2011. However, 10 employees recruited in 2015 had been allowed to contribute to the Employees' Provident Fund instead of the Public Service Provident Fund. As a result, a loss of Rs.49,498 had been caused to the funds of the Sabha during the year 2015 itself by contributing to the Employees' Trust Fund.

4. **Accountability and Good Governance**

4.1 **Budgetary Control**

One hundred per cent of the provision totalling Rs.7,097,500 made for 22 items and over 75 per cent of the provision made for 5 items totalling Rs.1,466,622 resulting in a total sum of Rs.8,564,122 had not been utilized for the expected functions.

4.2 **Internal Audit**

Adequate internal audit of financial and stores items had not been carried out in terms of 1988 (Finance and Administration) Rule 5(7).

4.3 **Dormant Liabilities**

Cash balance of Rs.46,582 remained dormant in a bank account of the Sabha since the Year 2013.

5. **Systems and Controls**

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

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