

Niyagama Pradeshiva Sabhawa

Galle District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review and the preceding year had been presented to audit on 18 April 2016 and 01 April 2015 respectively. The report of the Auditor General for the year under review had been sent to the secretary of the Sabha on 25 October 2016

1.2 Qualified Opinion

In my Opinion, except for the effects of the matters described in paragraph 1.3.2 of this report, the financial Statements give a true and fair view of the financial position of the Niyagama pradeshiva 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 Policies

Accounting policies followed in accounting had not been disclosed in the financial Statements.

1.3.2 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) A sum of Rs.527,154 paid to the Local Loan and Development fund in the year under review and the value of supplies and equipment amounting to Rs.48,855 had been over accounted.
- (b) Sum of Rs.11,150,200 recovered in renting trade stalls had been brought to accounts as revenue of the year under review instead of crediting it to the general deposit account.
- (c) Acreage tax revenue of Rs.500 trade license revenue of Rs.49,000 and the industrial tax revenue of Rs.52,000 had been over accounted in the financial statements of the year under review.
- (d) The sum of Rs.15,160 recoverable in respect of 39 days of no pay leave of 7 employees as at 31 December 2015 had not been brought to accounts.

1.3.3 Un-reconciled Control Accounts

Differences totaling Rs.188,909 between the balances of 4 items of accounts was shown in the financial statements and the related subsidiary books and records.

1.3.4 **Lack of evidence for Audit**

Due to non – rendition of the title deeds for land and building totaling Rs.41,610,582 shown in the financial statements, schedules for deposits totaling Rs.218,586 agreements, payment records, Measurement sheets and works files in respect of works totaling Rs.299,142 they could not be satisfactorily verified in audit.

1.3.5 **Non- compliance with Laws, Rules, Regulations and Management Decisions**

Action had not been taken in respect of 8 deposit balances totaling Rs.196,181 in terms of Financial Regulations 570 and 571(1)(2)

2. **Financial Review**

2.1 **Financial Results**

According to the financial statements presented to audit, the revenue over recurrent expenditure of the Sabha for the year ended 31 December 2015 amounted to Rs.6,113,739 as against the revenue less than the recurrent expenditure for the preceding year amounted to Rs.1,299,322 As compared with the preceding year, an improvement of Rs.7,413,061 was indicated in the financial results for the year under review.

2.2. **Analytical Financial Review**

(a) A detailed summary of revenue grants, self-operating revenue and recurrent expenditure in the year under review and the preceding 2 years is given below.

Year	Total recurrent revenue	Revenue grants	Self-operating revenue	Total recurrent expenditure	Recurrent expenditure over self-operating revenue
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	Rs.	Rs.	Rs.	Rs.	Rs.
2015	34,729,908	20,585,222	14,144,686	28,616,169	14,471,483
2014	28,514,501	18,719,033	9,795,468	29,813,823	20,018,355
2013	22,084,201	9,679,260	12,404,941	21,251,645	8,846,704

The following observations are made in this regard

- (i) Although an improvement of receipt of revenue grants of the Sabha, was indicated, the recurrent expenditure of the Sabha had been considerably increased continuously. Attention of the Sabha had not been paid to control expenditure, being identified that situation.
- (ii) The total recurrent expenditure incurred in the year under review in excess of self-operating revenue by Rs.14,471,483.
- (iii) Without getting revenue grants, the recurrent expenditure could not be covered by the revenue of the Sabha in any way.
- (iv) It is the view of the audit that attention of the Sabha had to be drawn to increase the revenue as per the matters mentioned in the paragraphs (i) to (iii) above and to formulate a formal methodology therefor and to implement it, unless otherwise, there would be a problematic situation on going concern of the Sabha as a result of weak financial control system.
- (b) Capital expenditure of Rs.5,213,075 in excess of the actual capital revenue had been incurred during the year under review and the actual expenditure incurred from the estimated capital expenditure had been as low a value as 9 per cent.

2.3 **Revenue Administration**

2.3.1 **Rates and Acreage Taxes**

Arrears of rates and acreage tax balances as at the end of the year under review amounted to Rs.436,624 and Rs.87,344 respectively. Action in terms of Section 155 (i) (a) of the Pradeshiya Sabha Act No 15 of 1987 had not been taken to recover the arrears.

2.2.3 **Court fines and Stamp fees**

Stamp fees of Rs. 1,812,268 were receivable as at 31 December 2015 from the chief secretary of the provincial Council and other authorities.

3. **Operating review**

3.1 **Management Inefficiencies**

The following matters were observed.

- (a) Ten vacancies in the approved cadre plan had existed and the excess cadre was 02. Action had not been taken to fill the vacancies and to regularize the excess cadre.
- (b) A contribution of Rs.713,115 in respect of employees who served in the Sabha had not been remitted to the Employees Provident Fund and retained in the miscellaneous deposit account instead.

- (c) Although loan balances of Rs.18,401 was due from 6 employees, action had not been taken to recover them even in the year under review.

3.2 **Solid waste management**

The following matters were observed.

- (a) Even though a building and a compost yard had been constructed by spending a sum of Rs.50,098,338 in a land, 1 ½ acres in extent in Pitigala maha watta area and an officer in charge and 3 employees had been attached therefor. Nevertheless it had been closed down since 15 June 2015.
- (b) Even though waste collected within the area of the Sabha had been disposed of to a land owned by a plantation company on temporary basis at a monthly rental of Rs. 5,000 the Sabha had not taken action to have a permanent Solution there for.

4. **Good Government and Accountability**

4.1 **Budgetary control**

Due to existence of savings of the entire provision of Rs.478,043 in one expenditure object included in the budget for the year under review, savings totaling Rs.100,218,409 in another 7 expenditure objects. Incurred expenditure of Rs.1,475,114 in another expenditure object in excess of the provision and the existence of targeted revenue totaling Rs.29,228,882 in 5 revenue items which had not been reached, the budget had not been made use of as an effective instrument of management Control.

4.2 **Internal Audit**

An internal audit had not been carried out in terms of circular No දපප/සන/01 න.ව.ලේ dated 24 February 2014.

5. **Systems and Control**

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

- (a) Accounting
- (b) Budgetary Control
- (c) Revenue Administration
- (d) Motor Vehicles Control
- (e) Human Resources Management