

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 2017 and the financial statements for the preceding year had been presented on 31 March 2016. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 30 June 2017.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 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 2016 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

Action had not been taken to assess and brought to accounts in respect of 15 blocks of land with 13 acres and 95 perches included in the Register of Fixed Assets and 05 blocks of land for which the land extent had not been mentioned, observed during the audit of accounts in the year 2015.

1.3.2 Unreconciled Control Accounts

The balance of 02 items of accounts aggregated to Rs.18,993,404 as per financial statements whereas the balance of the accounts aggregated to Rs.5,919,442 as per related subsidiary registers/reports resulting in a difference of Rs.13,073,962.

1.3.3 Accounts Receivable and Payable

The total of the balances of accounts receivable and payable for over 01 year as at 31 December 2016 amounted to Rs.19,766,122 and Rs.12,603,754 respectively.

1.3.4 Non-compliance with Laws, Rules and Regulations

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

Reference to Laws, Rules, Regulations and Non-compliance Management Decisions

- (a) Section 158(1) of the Pradeshiya Sabha Act No.15 of 1987. The arrears of rates and acreage tax as at 31 December 2016 totalled Rs.592,863 for which action had not been taken to recover even though it had remained outstanding for a long period.

- (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

(i) F.R 396 (d)

Action had not been taken with regard to 08 cheques issued but not presented for payment for over 6 months valued at Rs.8,043

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 2016 amounted to Rs.8,995,783 as compared with the revenue over recurrent expenditure of the preceding year amounting to Rs.3,954,918 resulting in an improvement of the financial results of the year under review by Rs.5,040,865.

2.2 **Analytical Financial Review**

Increase of 06 items of revenue and the decrease in 04 items of expenditure had mainly attributed to the improvement in financial results by Rs.5,040,865.

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 presented for the year under review appears below.

	Source of Revenue	Arrears as at 01 January 2016	Recoveries out of the arrears as at 31 December 2016	Amount billed for 2016	Recoveries out of the amount billed for 2016	Arrears as at 01 January 2016	Arrears out of amount billed for the year	Total Arrears
		Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
(i)	Rates and Taxes	673	440	2,429	1,329	237	381	618
(ii)	Lease Rent	4	4	259	259	-	-	-
(iii)	Licence Fees	-	-	459	459	-	-	-
(iv)	Other Revenue	4	4	64	64	-	-	-
	Total	681	448	3,211	2,111	237	381	618

2.3.2. **License Fees Revenue**

Even though, an Environment Protection Licence should be obtained for an activity for which due to be obtained an Environment Protection Licence according to the Extra Ordinary Gazette Notification No.1533/16 published under the National Environment Act No.47 of 1980 as amended by the Act No.53 of 2000 and Act No.56 of 1988, the Environment Protection Licences had not been issued for 46 business institutions in the authoritative area of the Sabha even by 03 November 2016.

3. **Operating Review**

3.1 **Management inefficiencies**

The following matters were observed.

- (a) Even though, it was ordered to recover arrears of rates amounting to Rs.525,146, according to the judgment of the case filed in the Kegalle District Courts dated 06 May 2016 to recover arrears of rates in respect of the tender of the beef stall, Kotiyakumbura in the year 2014, the Sabha had not taken action to recover that money.
- (b) Even though, the properties should be assessed for the assessment rates once in 05 years, the assessment rates had been recovered on the basis of the assessment rates of the year 2007.
- (c) The validity period of the insurance certificates of 02 vehicles and 04 vehicles of the Sabha had expired by 01 and 04 months and 01 and 03 months respectively by November 2016, on the date of the physical audit examination carried out.
- (d) A security fence had not been constructed around the land of lot No.30 given to the Pradeshiya Sabha for common purposes, in partitioning of the land of Silver Terrace in the year 1999 and the occupants of the adjoining lands had constructed retaining walls as inclusive of the land of the Sabha.

3.2 **Idle/ Under utilized Assets**

A cash balance amounting to Rs.46,582 in a bank account of the Sabha had remained idle since the year 2013.

3.3 **Solid Waste Management**

The following matters were observed.

- (a) Even though, an expenditure of Rs.2,814,010 had been incurred for Solid Waste Management and Disposal of waste in the year 2016, the production of organic fertilizer had not been commenced even by May 2017 and action had been taken to bury the waste in a pit.
- (b) It was observed, that the service of the gully bowsers had not been carried out due to non-availability of a suitable place to dispose excreta in the area of the Sabha and as such the opportunity to obtain the service of gully bowsers had been deprived of for the clients who could not be found a place to dispose the excreta.

4. **Accountability and Good Governance**

4.1 **Budgetary Control**

Hundred per cent of the provisions totalling Rs.4,896,500 made for 27 Objects in the year under review and over 50 per cent of the provisions made for 15 Objects totalling Rs.3,089,209 resulting in a total sum of Rs.7,985,709 had not been utilized for the functions of the Sabha.

4.2 **Internal Audit**

In terms of Rule 5(7) of 1988 Pradeshiya Sabha (Finance and Administration) set of Rules, carry out adequate internal audits was an activity of the Competent Authority. Nevertheless, action had not been taken so on.

5. **Systems and Controls**

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

System -----	Observation -----
(a) Assets Control	(i) Not assessed the land value and brought to account. (ii) Maintenance of a dormant bank account balance.
(b) Internal Control	Not carried out an adequate audit.
(c) Debtors' Control/ Creditors' Control	Action not taken to minimise the provisions for excesses/ shortages.
(d) Revenue Administration	Not taken legal actions to recover arrears of rates.