

Niyagama Pradeshiya Sabha
Galle District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 31 March 2014 while Financial Statements relating to the preceding year had been submitted on 01 April 2013. The Auditor General's Report relating to the year under review was issued to the Chairman on 22 December 2014.

1.2 Opinion

In my opinion except for the effect on the matters described in paragraph 1.3 of this report financial statements give a true and fair view of the financial position of the Niyagama Pradeshiya Sabha as at 31 December 2013 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 Non-compliance with Public Sector Accounting Standards of Sri Lanka

Following observations are made.

- (a.) Although Local Authorities should prepare the financial statements according to the Sri Lanka Public Sector Accounting Standards with effect from 01 January 2011, in terms of Circular No. PED/54 dated 19 January 2010 of the Director General of Public Enterprises, those standards had not been followed.
- (b.) The Cash Flow Statement had not been submitted together with the financial statements for the year under review.

1.3.2 Accounting Policies

Accounting Policies followed by the Sabha had not been disclosed together with the financial statements.

1.3.3 Accounting Deficiencies

Following observations are made.

- (a.) Provision had not been made in the financial statements for the pension contribution of Rs.2,423,098 payable on behalf of the Retired Local Government Employees as at 31 December of the year under review.
- (b.) The Tractor Trailer bearing the No. 67-2998 valued at Rs. 182,000 purchased by the Sabha on 07 May 1999 and the Tractor and the Trailer valued at Rs.1,499,800 provided to the Sabha through the Central Environmental Authority during the year 2010 had been omitted in the financial statements.
- (c.) Provisions amounting to Rs. 483,055 and Rs. 574,957 totalled to Rs. 1,058,012 had been made on account of Marthupitiya Netting Bridge and Maththaka, Athkotuwa Bridge, the two Works for which agreements had not been signed as at 31 December

2013. Due to that, expenditure for the year and Creditors had been overstated in a sum of Rs.1,058,012.

- (d.) Purchase of Fixed assets amounting to Rs. 66,950 had been shown as Recurrent Expenditure in the financial statements.
- (e.) Although the amount receivable on account of 29 Works under Maga Neguma Project as at 31 December 2013 of the year under review was Rs.14,500,000,it had been shown as Rs.21,805,528 by overstating the Debtors and Capital Grants in a sum of Rs.7,305,528in the financial statements.
- (f.) Provisions amounting to Rs. 1,097,618 had been overstated in the financial statements as provisions had already been made during the previous years.
- (g.) The sum of Rs. 9,679,260 received as salary reimbursements for the year under review from Southern Province Local Government Department had been shown under one Programme, instead of being apportioned among all Programmes.
- (h.) Although the Capital Grants receivable as at 31 December of the year under review for the construction of Pitigala Weekly Fair and the Multi-Purpose Premises is Rs. 12,423,065, it had been shown as Rs. 12,884,671 in the financial statements. Due to that, Capital Grants for the year under review and the Debtors had been overstated in a sum of Rs. 461,606.
- (i.) Although the Capital Grants receivable as at 31 December of the year under review, under the Specific Provincial Development Plan is Rs. 1,200,000, it had been shown as Rs. 2,141,000 in the financial statements. Due to that, Capital Grants for the year under review and the Debtors had been overstated in a sum of Rs. 941,010.
- (j.) While provisions had not been approved for Works, provisions amounting to Rs. 3,304,221 had been made as Works Debtors in the financial statements as at 31 December 2013.
- (k.) Although the Creditors Balance Payable as at 31 December of the year under review for the construction of Pitigala Weekly Fair and the Multi-Purpose Premises is Rs.15,000,000, it had been shown as Rs.12,884,671 in the financial statements. Due to that, capital expenditure and the Debtors for the year under review had been understated in a sum of Rs. 2,115,329.
- (l.) When billing the Revenue amounting to Rs. 4,032,466 for the year under review, Journal Entries had not been used for that.

1.3.4 Non-reconciled Control Accounts

A difference of Rs. 235,514 was observed between the balances according to control accounts relevant to 04 items of accounts and the balances according to subsidiary registers.

1.3.5 Lack of Evidence for Audit

Evidences such as Ownership Deeds, up dated Fixed Assets Register, Board of Survey Reports, Properly Maintained Creditors / Debtors Registers, Age Analysis, Confirmations of Balances, and Loan Register etc., connected with transactions totalling Rs. 139,476,281 shown in the financial statements were not furnished to audit.

2. Financial and Operating 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 2013 amounted to Rs. 832,556 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 2,083,163.

2.2 Revenue Administration

2.2.1 Rates and Acreage Tax

Action in terms of Section 158 of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken to recover Rates amounting to Rs. 338,618, Acreage Tax amounting to Rs. 69,237 and Weekly Fair Tax amounting to 50,543 due to be recovered to the Pradeshiya Sabha during the year under review and preceding years.

2.2.2 Trade License Fees

Action in terms of Section 159 of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken to recover Trade Licence Fees amounting to Rs. 126,000 due to be recovered to the Pradeshiya Sabha during the year under review and proceeding years.

2.2.3 Court Fines and Stamp fees

Courts Fines amounting to Rs. 1,216,750 and Stamp Fees amounting to Rs. 4,368,394 were receivable from the Chief Secretary of the Provincial Council and other authorities as at 31December 2013.

2.3 Surcharges

A sum of Rs.432,927 was outstanding to be recovered as at 31 December 2013 in connection with 09 surcharges imposed by me during previous years against persons responsible in terms of provisions in the Pradeshiya Sabha Act No. 15 of 1987.

3. Operational Review

3.1 Management Inefficiencies

Declarations of Assets and Liabilities had not been furnished by 04 Sabha Members as required in terms of the Declaration of Assets and Liabilities Act No. 01 of 1975 as amended by Act No.74 of 1988.

3.2 Operating inefficiencies

Following observations are made.

(a.) Arrears of salaries amounting to Rs.1,581,995 paid out of Sabha Fund to 21 Sabha

Employees had not been reimbursed by the Local Government Department.

- (b.) Action had not been taken since the year 2006 to recover a loan balance of Rs. 16,901 due to be recovered from 05 employees who were in Sabha service and left on transfers or retired.

3.3 Idle Assets

It had been informed to prepare a scheme for disposal of old vehicles and machinery getting destroyed without being used in Government Institutions by 05 September 2013, vide Circular No. PCMD/PR/2013 dated 05 June 2013 issued by the Secretary to the President with regard old vehicles and machinery getting destroyed without being used. It was observed in the audit inspection carried out on 23 October 2014 that a tractor, a trailer and a cab vehicle belong to the Sabha were getting corroded in the Sabha Land without action being taken accordingly.

3.4 Improper Transactions

- (a.) According to the Circular dated 25 May 2014 issued making amendments to the Circular No. CSA/1/8/1/1 dated 21 March 2014 of the Secretary to the President, foreign educational tours to be organized utilizing funds of the Local Government Institutions had been suspended until further notice. Contrary to those provisions, a sum of Rs. 160,000 had been paid to the Sri Lanka Local Government Institutions Forum during May 2014 for an educational tour relating to Local Government Systems and Good Habits to be conducted from 29 June to 04 July 2014 in China.
- (b.) Contrary to the provisions in Section 132 of the Pradeshiya Sabha Act No. 15 of 1987, a sum of Rs. 100,000 had been paid out of Sabha Fund on 25 September 2013 for an educational tour of the Sabha Members including the Chairman and the Vice Chairman.

4. Systems and Controls

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

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