

**Galnewa Pradeshiya Sabha**

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**Anuradhapura District**  
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**1. Financial Statements**

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**1.1 Presentation of Financial Statements**

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The financial statements for the year under review had been presented to audit on 30 March 2012 and the financial statements for the preceding year had been presented on 04 April 2011.. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 13 July 2012.

**1:2 Opinion**

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So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Galnewa Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2011 and except for the effects on the financial statements of the matters referred to in my report issued to the Chairman, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Galnewa Pradeshiya Sabha as at 31 December 2011 and the financial results of its operations for the year than ended.

**1.3 Comments on Financial Statements**

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**1.3.1 Accounting Deficiencies**

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A summary of the accounting deficiencies existed in the financial statements and the effect on the financial statements of such deficiencies is shown below.

Nature of the Deficiency -----	No. of Items -----	Value -----		
		Revenue	Expenditure	Assets
		Rs'000	Rs'000	Rs'000
(a) Omissions from the financial statements	} 01	14,191	-	-
(b) Understatements in the financial statements	} 01	-	17,446	-
(c) Inappropriate disclosures in the financial statements	} 04	-	-	61
-do-	18	-	-	17

### 1.3.2 Unreconciled Accounts

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The total of the balances of 02 items of accounts amounted to Rs. 197,265 according to the financial statements and the total of the said balances as per subsidiary registers / records amounted to Rs. 222,576.

### 1.3.3 Lack of Evidence for Audit

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Eight items of accounts totaling Rs.58,252,787 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

### 1.3.4 Accounts Receivable and Payable

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The following matters were observed.

- (a) The amount receivable as at 31 December 2011 in respect of works carried out under Jathika Saviya – Gama Neguma, decentralized budget and Local Government Infrastructure Development was Rs. 13,899,147 and of this, a sum

of Rs. 773,121 was in respect of capital aid receivable for the works relating to the years 2010 and 2009.

- (b) The amount payable to the contractors as at 31 December 2011 in respect of works carried out under Jathika Saviya – Gama Neguma, decentralized budget Local Government Infrastructure Development and Provincial Council Regional Development Programmes was Rs. 16,997,749. A sum of Rs. 1,254,146 of the above amount related to amounts payable for works done during 2010 and 2009.
  
- (b) A sum of Rs. 95,204 was payable to the Director General of Pensions as at 31 December 2011 as the contribution of the Sabha in respect of employees served in the Sabha.

## **2. Financial and Operating Review**

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### **2.1 Financial Results**

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According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2011 amounted to Rs.2,277,948 as compared with the excess of revenue over recurrent expenditure amounting to Rs.4,783 for the preceding year.

### **2.2 Revenue Administration**

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#### **2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue**

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Information on estimated revenue, actual revenue and the arrears of revenue for the year under review as presented by the Chairman is shown below.

<b>Item of Revenue</b>	<b>Estimated</b>	<b>Actual</b>	<b>Cumulative Arrears as at 31 December</b>
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	Rs.'000	Rs.'000	Rs.'000
(i) Rates and Taxes	839	991	0
(ii) Lease Rent	1,077	959	180
(iii) Licence Fees	197	125	120
(iv) Other Revenue	10,745	9,138	2,413

### **2.2.2 Court Fines and Stamp Fees**

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Money receivable as at 31 December 2011 from the Chief Secretary of the Provincial Council and other authorities are shown below.

	<b>Rs.</b>
(i) Court Fines	654,885
(ii) Stamp Fees	9,955

### **2.2.3 Rates and Taxes**

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Action had not been taken to publish the areas identified as developed areas situated within the area under the control of the Sabha and to recover rates and taxes in terms of Section 134(1) of the Pradeshiya Sabha Act No. 15 of 1987.

### **2.2.4 Tax on Undeveloped Lands**

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The Sabha had not taken action to recover a tax annually from the owner of the undeveloped lands not exceeding 2% of the capital ground value of the land where rates or Acre Tax is not recovered on a property situated in the area of control in terms of Section 153 of the Pradeshiya Sabha Act No. 15 of 1987.

### **2.2.5 Rent and Charges**

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Action had not been taken to recover rent outstanding amounting to Rs. 2,697,562 due to the Sabha during the year under review in terms of Section 159(1) and 162 and its Sub-sections of the Pradeshiya Sabha Act No. 15 of 1987. The above amount included rent amounting to Rs. 1,243,721 outstanding for over 05 years and rent amounting to Rs. 331,986 outstanding for periods ranging 01 to 03 years.

### **2.3 Idle and Underutilized Physical Resources**

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The following observations are made.

- (a) 24 items of assets valued at Rs. 745,188 owned by the Sabha had remained idle without being used for any purpose.
- (b) Action had not been taken to use 30 Barrels of Tar purchased by the Sabha at Rs. 240,000 prior to 05 years even by 17 May 2012 the date of audit examination.

### **2.4 Contract Administration**

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Although 11 works had been approved for an estimated cost of Rs. 285,000 under Provincial Council Divisional Development Decentralized Budget Programme – 2011 the works had not been commenced even by 17 May 2012 the date of audit examination, as no contractor societies had come forward for the works.

### **2.5 Operating / Management Inefficiencies**

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The following observations are made.

- (a) 13 applications for building licence had been received during the year under review and licence had been issued only for 08 of this. Conformity certificates

had been given only for one out of the 08 and the Sabha had not taken follow – up action with regard to unauthorized building constructions carried out by other licence holders and the persons who forwarded applications.

- (b) According to the Board of Survey Report relating to 31 December 2011, 531 books valued at Rs. 38,350 had been misplaced at Galnewa and Negampaha Libraries of the Sabha and action had not been taken to identify the parties responsible and recover the loss from them.
- (c) There were 10 vacancies within the approved cadre of the Sabha and 08 employees had been recruited on casual basis for these vacancies. A sum of Rs. 1,008,984 had been paid to them from the Sabha funds during the year under review and action had not been taken by the Sabha to get the posts permanent or to get reimbursed the salaries.
- (d) The Sabha had recruited 02 Library Assistants in excess of the approved cadre and a sum of Rs. 120,000 had been paid out of the Sabha fund during the year under review.
- (e) Stamp fees amounting to Rs. 53,820 recovered under various items of revenue of the Sabha had not been remitted to the Commissioner General of Inland Revenue in terms of the Stamp Fees Special Provisions Act No. 10 of 2006.

## 2.6 Performance

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Activity No. 5.1 of the Action plan for the year under review prepared by the Sabha included implementation of Anti Dengue Programmes in the area, but, the said activities had not been adequately carried out by the Sabha. Further, the Sabha had not intervene for fulfilling the responsibilities, as the institution empowered to carry out the activities connected with public health safety within the area of control of each Pradeshiya Sabha

during the year under review in terms of Section 78 of the Pradeshiya Sabha Act No. 15 of 1987.

### **3. Systems and Controls**

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

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