

Gampaha Pradeshiya Sabha

Gampaha District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 21 March 2013 and the financial statements for the preceding year had been presented on 16 March 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 20 September 2013.

1.2 Opinion

In view of the comments and observations appearing in my report, I do not express an opinion on the financial statements of the Gampaha Pradeshiya Sabha for the year ended 31 December 2012 presented to audit.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following observations are made.

- (a.) The Weliveriya Weekly Fair constructed by the Ministry of Economic Development at an expense of Rs.19,365,920 had been credited to revenue contribution to capital outlay account instead of being accounted as donations.
- (b.) The balance of stamp fees receivable as at 31 December 2012 amounted to Rs.74,799,190 and this included a balance of stamp fees receivable for the year 2008 amounting to Rs.15,888,063. Eventhough a sum of Rs.14,518,970 of this had been received during the year 2010, it had been shown as receivable during the year under review under review too.
- (c.) Members grants amounting to Rs.81,000 receivable for the year 2010 had been provided twice in the accounts and therefore, Members grants receivable had been overstated by a similar amount.

- (d.) 75% of the fines charged in respect of court cases filed on offences done under the Food Act should be credited to the fund of the Local Authority and 25% should be retained in the deposits account in order to award to the officer who detected the offender. Nevertheless, the Sabha retained the total amount of fines in the deposits account. The total fines so retained in the deposits account from 2007 to 2012 amounted to Rs.973,332.
- (e.) Capital aid debtors amounting to Rs.18,838,473 receivable since year 2007 had been shown in the accounts under investments without action being taken to obtain the money.

1.3.2 Unreconciled Control Accounts

The total of the balances of 11 items of accounts amounted to Rs.296422,834 as per accounts and the total of the balances as per relevant schedules/ records amounted to Rs.263,452,446. Therefore, there was an unreconciled difference of Rs.32,970,388.

1.3.3 Lack of Evidence for Audit

Transactions totaling Rs.84,216,728 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2012 amounted to Rs.37,498,820 as compared with the excess of revenue over recurrent expenditure amounting to Rs.35,918,515 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

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

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	12,992	11,643	32,058
(ii.) Lease Rent	1,129	1,131	41
(iii.) Licence Fees	688	726	1,257
(iv.) Other Revenue	5,368	5,134	2,684

2.2.2 Court Fines and Stamp Fees

- (a.) Money receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2012 are shown below.

	Rs.
(i.) Court Fines	13,363,505
(ii.) Stamp Fees	74,799,190

- (b.) Action had not been taken to recover stamp fees amounting to Rs.11,581,657 receivable for over 04 years and court fines amounting to Rs.7,363,505 receivable for over 05 years.
- (c.) According to letter No.බප/ආදා/කො/පොදු dated 13 January 2011 of the Commissioner of Provincial Revenue, the requests should be made within 05 years from 31 December of the year in which the court fines are recovered along with the records certified by the Registrar of Courts or an officer nominated. However, according to the register of court fines; the Sabha had not taken action to recover court fines of the years 2005, 2011 and 2012.
- (d.) Submission of claims for stamp fees had been limited to 03 years and the Sabha had not taken action to recover stamp fees for the years 2009 and 2012 from the Office of the Registrar General, Colombo.

2.2.3 Rates ad Taxes

The balance of rates in arrears as at 30 April 2013 amounted to Rs.29,877,269 and it includes balances over Rs.5,000 due for over one year totaling Rs.6,199,902.

2.2.4 Other Revenue

- (a.) The balance of stall rent in arrears amounting to Rs.2,032,479 as at 31 December 2012 includes a balance of Rs.429,179 due for over one year and the rent due from 12 stalls demolished amounted to Rs.191,402.
- (b.) Goods and Services Tax in arrears amounting to Rs.1,614,551 due from prior to year 2007 in respect of renting out the Pradeshiya Sabha building had not been recovered from the parties, even though number of years had lapsed.

2.3 Operating Inefficiencies

- (a.) Out of the stalls of the Pradeshiya Sabha building leased out, 12 stalls had been kept closed and it had been unable to take legal action to recover outstanding rent as formal agreements had not been entered into at the lease of stalls. Action had not been taken to acquire these stalls, re-assess the stall rent and lease out again through tenders.
- (b.) According to Circular No.1980/46 dated 31 December 1980 of the Commissioner of Local Government, stall rent should be revised at least once in 05 years. But, the rent recovered at the inception had continued to be recovered up to date.
- (c.) A sum of Rs.3,000,000 had been approved for 06 projects for paving inter locking concrete blocks on the roads within the area of authority of the Sabha under Maga Neguma Rural Road Development Programme-2012. However, the above projects had not been implemented.

3. Systems and Controls

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

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