

Giribawa Pradeshiya Sabha

Kurunegala District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 22 July 2016 while Financial Statements relating to the preceding year had been submitted on 26 March 2015. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 27 September 2016.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Giribawa Pradeshiya Sabha as at 31 December 2015 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 Accounting Deficiencies

Following accounting deficiencies are observed.

- (a) Water Bowser valued at Rs. 151,000 and the value of the Mortar sold in public auction had been included under Motor Vehicles and Carts, causing overstatement of Motor Vehicles and Carts to the extent of that amount.
- (b) Although the value of the Yaya 03 Fair and the Land amounting to Rs. 4,266,906, buildings value of Rs.582,100 demolished and removed had not been deleted. Due to that, Fixed Assets had been overstated in the accounts to the extent of that amount.
- (c) Value of the Front Office Building demolished and removed amounting to Rs. 73,710 had been included value of buildings. Due to that, Fixed Assets had been overstated in the accounts to the extent of that value.
- (d) Value of stalls of which work had been completed during the year under review in the Parakum Weekly Fair amounting to Rs. 2,836,958 and the value of Hachchikuchchi Vehicles Park costing Rs. 2,053,658 had not been accounted. Due to that, Fixed Assets had been understated in the accounts to the extent of that value.
- (e) Value of 64 lands being 18 lands included in the Fixed Assets Register of the year under review and 46 blocks of lands not recorded in the Fixed Assets register, had not been assessed and not taken to accounts.
- (f) Buildings value amounted to Rs.60,000 in Ihala Giribawa, and Rs.60,000 in Thambuththa Cemetery Grounds, had not been accounted according to the Fixed Assets Register.

1.3.2 Non-reconciled Control Accounts

Non-reconciliations in a sum of Rs. 185,427 were observed between the balances relevant to 02 items of accounts shown in the financial statements at the end of the year under review and the balances in the relevant subsidiary registers.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

While the value of Accounts Receivable balances as at 31 December 2015 amounted to Rs. 36,504,990, a sum of Rs. 290,366 beng Lease Rent in arrears since a period exceeding 03 years was included therein. Cases had been filed in the Mahawa Court for recovery of those amounts.

(b) Accounts payable

While the value of Accounts Payable balances as at 31 December 2015 amounted to Rs. 29,497,477, out of that a sum of Rs. 24,953,885 or 84 percent was outstanding for more than 01 year and less than 03 years. Further, 98.5 percent out of that amount were Creditor's balances occurred due to non-receipt of revisions for works carried out during past years.

02 Financial 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 2015 had been Rs.62,379 as compared with the corresponding excess of revenue over recurrent expenditure amounted to Rs. 1,396,022 preceding year indicating a decline of Rs. 1,333,643 in the financial result. After adjustment of the Capital Grant amounting Rs. 12,603,237 and Capital Expenditure amounting to Rs. 12,554,710 to this financial result, financial result for the year under review had become a surplus of Rs. 110,906.

2.2 Analytical financial Review

(a) Variations relevant to actual revenue and expenditure between the year under review and the preceding year are shown below.

Source of Revenue	Revenue			Expenditure Item	Expenditure		
	2015	2014	Variance		2015	2014	Variance
-----	-----	-----	-----	-----	-----	-----	-----
	Rs.000	Rs.000	Rs.000		Rs.000	Rs.000	Rs.000
(i) Generated Revenue	3,828	2,736	1,092	Personal Emoluments	25,575	18,186	7,389
(ii) Others	<u>28,655</u>	<u>23,650</u>	<u>5,005</u>	Others	<u>6,845</u>	<u>6,804</u>	<u>41</u>
Sub total	32,483	26,386	6,097	Sub total		24,990	7,430
					32,420		
(iii) Capital Grant	12,603	25,527	(12,924)	Capital Expenditure	12,555	22,604	(10,049)
Grand Total	45,086	51,913	(6,827)	Grand Total	44,975	47,594	2,619
	=====	=====	=====		=====	=====	=====
Operational Result	62	1,396	1,334	Surplus	111	4,319	4,208

- (a) Out of the total Recurrent Revenue of Rs.32,482,701 relevant to the year under review, a sum of Rs. 28,655,119 or 88 per cent were revenue not falling under a nature generated in the Sabha and were receipts in the nature of grants such as Court fines, Stamp Fees and Salary Reimbursements.
- (b) The entire capital revenue of Rs. 12,603,237 was consist of funds received for development works in the area of authority through other institutions from sources such as Gama Neguma and Maga Neguma.
- (c) Out of the total Recurrent Expenditure of Rs. 32,420,321 relevant to the year under review, a sum of Rs. 25,575,173 or 79 per cent was expenditure for Personnel Emoluments. Out of that, a sum of Rs. 24,367,082 or 95 per cent had been received from the Commissioner of Local Government as salary reimbursements while that value had been accounted under Salary Reimbursements.
- (d) Out of the capital expenditure of Rs. 12,554,710, a sum of Rs. 1,267,945 or 10 percent had been spent from Sabha Funds, while the balance amount of Rs. 11,286,765 or 90 percent were development works performed on the basis of provisions received from sources of other institutions such as Gama Neguma, Maga Nguma and provincial investments for strengthening Pradeshiya Sabha.

2.3 Revenue Administration

2.3.1 Performance in Revenue Collection

Estimated Revenue, Actual Revenue and Arrears of Revenue relevant to the year under review and the preceding year were as shown below.

2014	2015						
	Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December	Estimated	Actual	Accumulated Arrears as at 31 December
		000	000	000	000	000	000
(i) Rates and Taxes	10	305	358	305	305	342*	
(ii) Lease Rent	1,972	3,063	--	1,976	2,005	--	
(iii) License Fees	584	245	339	284	260	--	
(iv) Other Revenue	64,327	28,869	3,818	6,560	6,860	2,727 *	
Total	66,893	32,482	4,515	9,125	9,430	3,069	

2.3.2 Revenue Billed and Arrears of Revenue

Particulars are shown below.

Billings from Revenue				Collections of Revenue						
Arrears of Revenue										
Revenue Head	Arrears as at 01.01.2015	Billings during the year	Total	From arrears up to 01.01.2015	From revenue billed	total	Out of arrears 01.01.2015	Out of Revenue Billed	Balance in Arrears As at 31.12.2015 (According to 31.12.2015 computations) As at	
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Rates	--	10	10	--	305	305	--	--	(295)	--
Lease Rent	338	1,972	2,310	25	3,063	3,088	312	46	(779)	358
License	---	584	584	--	245	245	--	339	339	339
Fees	4,606	64,327	8,933	4,225	8,869	33,094	479	3,339	35,937	3,818
Other	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Revenue	4,944	66,893	1,837	4,250	2,482	36,732	791	3,724	35,202	4,515
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
Total										

* According to information furnished by the Sabha, computed balances of arrears as at 31 December 2015 did not tally with the final balances in arrears mentioned in the financial statements.

2.3.3 Lease Rent

Following matters are observed.

- (a) While 9 assets had been given for tendered amount of Rs. 1,744,547 on annual tenders during the year under review, out of that Yaya 03 Weekly Fair being 65 percent of the tender value had been given to a lessee for a sum of Rs. 1,144,000. Lease agreement too had become invalid on the basis of non-payment of lease money from January to April by the relevant lessee. While security money of the agreement amounting to Rs. 457,600 had been set off for the installments in arrears without action being taken in terms of the lease agreement, a further sum of Rs. 45,760 was due to the Sabha as liquidated damages.
- (b) Lease Money amounting to Rs. 90,366 had been outstanding during a period from 03 to 25 years from 08 lessees as at the end of the year under review.

2.3.4 Contracts Administration

Following matters are observed.

- (a) Provisions amounting to Rs. 5,400,000 received during the year 2014 from various sources for 40 Development Projects in the area of authority of the Sabha had not been used even up to the end of the year under review.
- (b) Although a sum of Rs. 100,237 had been paid on 09 September 2015 to make necessary shaping's for curbs on two side of the road to a height of 0.12 meters using class II planks under work item 10 for reconstruction by laying pre-fabricated concrete floor stones on the road towards the village in front of the Pahala Giribawa Hospital, under Provincial Criteria Grants during the years 2014 and 2015, there were variations from 0.9 to 0.0915 in various places. Although shaping should be made cutting drains to the specified height, leveled and should have a smooth finish, it was observed at the physical inspection carried out on 01 March 2016 that it had not been made accordingly. In spite of failure in making the shaping's and cutting drains to the specified standards, the sum of Rs. 241,071 too had been paid for concreting curbs, without taking physical measurements.
- (c) While an estimated sum of Rs. 600,000 had been received under 'One Job for One Village Program' for construction of the Pothane Wewa Pre-school Building during the year 2014, construction works of 4 posts of 9 inch to a height of 8 feet and 4 ground foundations only had been made and work had been abandoned. However, a sum of Rs. 352,432 had been paid on 31 December 2014, by that time.
- (d) Floor tiling in the part of face washing basin of the female latrine of the latrine complex in Hasthi Kuchchi Vehicle Park constructed at an expenditure amounting to Rs. 3,000,000 under Up lifting Low Income Group Local Authorities Project during the year 2014 had not been done up to the proper standards. Due to that, water had been stagnated in the centre of the floor. Front door had been burst and twisted from the

middle part making it impossible to close. Due to that brass hinges and union type door lock had been defunct and were getting obliterated. While the door of one female latrine had not been possible to close since the date of fixing, bid shower and cistern had been defunct since the date of fixing. In fixing the panel board to the roof in front, rafters had not been cut off and leveled and rafters were visible from outside.

03. Operating Review

3.1 Management Inefficiencies

Following matters are observed.

- (a) While goods had been purchased from establishments not registered without calling for quotations from 07 suppliers registered in the Pradeshiya Sabha, building materials and equipment amounting to Rs. 1,704,772 had been purchased in 46 instances for constructions during the year under review, from a supplier not registered.
- (b) Action had not been taken up to the end of the year under review to recover to the Sabha, the balance of loans and advances amounting to Rs. 17,100 of the Revenue Overseer who was dismissed from service on the grounds of misappropriation of cash on 29 May 2013, loans and advances amounting to Rs. 14,100 of an officer left on transfer to Nikaweratiya Pradeshiya Sabha and retired 01 August 1993, but recovered by the Nikaweratiya Pradeshiya Sabha and the distress loan balance of Rs. Rs.2,688 of the Revenue Overseer left on transfer prior to the year 1989 to Galnewa Pradeshiya Sabha.

3.2 Solid Waste Management

While it had been planned to erect a fence to a length and width of 202.35 x 100 meters in a Government Land in extent of about 05 acres not vested, for construction of a Waste Management Centre in Giribawa and construction had been made during August 2014, at the physical inspection carried out on 01 March 2016 it was observed that 260 fence posts out of 276 had got slacken off and fallen on the ground and that concrete had not been applied to the foundation. While 5 rounds of barbed wire had been fixed to the fallen fence, barbed wire in an area of about 200 feet had been cut and carried away. 14 fence posts had got broken. Action too had not been to compute the loss occurred and recover from the parties responsible. In spite of the fact that concrete had not been applied in concrete mixture of 1:3:6(40 mm) under Head No.04 to the foundation of fence posts, 100 percent physical progress had been mentioned and a sum of Rs. 341,913 had been paid on 24 September 2014. Solid Waste Management Project has not been implemented even up to the end of the year under review.

04. Accountability and Good Governance

4.1 Assets Management

4.1.1 Idle and Under-utilized Assets

Following matters are observed.

- (a) Three items of assets valued at Rs. 2,175,445 accounted under Fixed Assets during the year under review had remained idle.
- (b) A Water Motor valued at Rs. 13,950 purchased during the year under review for providing water facilities to Public Library at Eighth Post had remained idle even after the expiry of the guarantee period.

05. Systems and Controls

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

- (a) Accounting
- (b) Revenue Administration
- (c) Contracts Administration
- (d) Solid Waste Management.