

## **Narammala Pradeshiya Sabha**

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**Kurunegala District**  
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### **1. Financial Statements**

#### **1.1 Presentation of Financial Statements**

Financial Statements for the year under review had been submitted to Audit on 28 March 2016 while Financial Statements relating to the preceding year had been submitted on 03 March 2015. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 12 August 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 Narammala 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) While Interest Payable amounting to Rs. 495,296 for the fourth quarter of the year under review for the loan obtained from the Local Loans and Development Fund had been paid during the year 2016, that value had not been accounted as expenditure and creditors of the year under review.
- (b) For correction of the error in debiting the General Creditors Account instead of Stamp Fees Creditors Account in payment of Stamp Fees amounting to Rs. 33,467 relevant to the year 2014, Accumulated Fund had been credited instead of the Creditors account through Journal Entry 63.

- (c) When transferring funds from the General Account to the Infrastructure Account, the sum of Rs. 4,446 not accounted as an advance, had been credited to the Accumulated Fund, instead of crediting the General account through the Journal Entry 70.
- (d) Accumulated Fund had been credited through Journal Entry 71 for correction of an advance payment of Rs. 3,200 relevant to the preceding year.
- (e) Although the expenditure amounting to Rs. 4,900 for the purchase of cement stone blocks during the year under review had been paid during the year 2016, it had not been accounted in the relevant expenditure account and the creditors account of the year under review.
- (f) Although the sum of Rs. 245,993 paid during the year under review relevant to past years, but not paid due to lack of provisions, had not been considered as expenditure of the year and not taken to accounts.
- (g) Provision had not been made for the Audit Fees Payable for the year under review.
- (h) Final Financial Statements had been prepared without using Forms P.S.07 and P.S. 19 introduced through Pradeshiya Sabha (Financial and Administrative) Rules Series.

### **1.3.2 Non-reconciled Control Accounts**

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Non-reconciliations in a sum of Rs. 163,341 were observed between the balances relevant to 03 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**

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While the value of Accounts Receivable as at 31 December 2015 amounted to Rs. 21,312,454, a sum of Rs. 10,000 deposited by the Sabha remaining during a long period for which information was not furnished and a balance of Rs. 120,641 receivable during a period exceeding 03 years were included therein.

#### **1.3.4 Accounts payable**

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While the value of Accounts Payable as at 31 December 2015 amounted to Rs. 17,392,916, loan balances amounting to Rs. 9,132,202 not settled for a period exceeding one year were included therein.

#### **1.3.5 Non-compliance with Laws, Rules and Regulations etc.**

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Action in terms of Financial Regulation 571 of the Republic of Sri Lanka had not been taken with regard to 33 Deposit balances amounting to Rs. 548,419 which had been in the Sabha exceeding 2 years.

### **02 Financial Review**

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#### **2.1 Financial Results**

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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.4,721,080 as compared with the corresponding excess of revenue over recurrent expenditure amounted to Rs. 6,344,444 preceding year indicating a decline of Rs. 1,623,364 in the financial result. After adjustment of the Capital Grant amounting Rs. 21,265,782 and Capital Expenditure amounting to Rs. 24,056,922 to this operating result, financial result for the year under review had become a surplus of Rs. 1,929,940.

#### **2.2 Analytical Financial Review**

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Following matters are observed.

- (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	22,658	25,697	(3,039)	Personal Emoluments	54,524	40,713	13,811
(ii) Others	<u>65,637</u>	<u>52,159</u>	<u>13,478</u>	Others	<u>29,049</u>	<u>30,799</u>	<u>( 1,750)</u>
Sub total	88,295	77,856	<u>10,439</u>	Sub total	83,573	71,512	12,061
(iii) Capital Grant	21,266	189,834	(168,268)	Capital Expenditure	24,057	193,015	(168,958)
Grand Total	<u>109,561</u>	<u>267,390</u>	<u>157,829</u>	Grand Total	<u>107,630</u>	<u>264,527</u>	<u>156,897</u>
Operational Result	4,721	6,344	( 1,629)	Surplus/ Deficit	1,930	2,863	(933)

- (b) Out of the total Recurrent Revenue of Rs.88,294,306 relevant to the year under review, a sum of Rs. 62,970,388 or 71 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. Similarly, the entire capital revenue of Rs. 21,265,782 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. 83,573,225 relevant to the year under review, a sum of Rs. 54,524,129 or 65 per cent was expenditure for Personnel Emoluments. Out of that, a sum of Rs. 45,978,172 or 84 per cent had been received from the Commissioner of Local Government as salary reimbursements while that value had been accounted under Other Revenue. Similarly, out of the capital expenditure of Rs. 24,056,921, a sum of Rs. 4,984,733 or 20 percent only had been spent from Sabha Funds, while the balance amount of Rs. 19,072,188 or 80 percent were development works performed on the basis of provisions of other institutions such as Gama Neguma and Maga Nguma.

## 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.

Item of Revenue	2015			2014		
	Estimated	Actual	Accumulated Arrears as at 31 December	Estimated	Actual	Accumulated Arrears as at 31 December
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(i) Rates and Taxes	5,885	4,794	1,331	4,736	4,733	1,180
(ii) Lease Rent	21,834	13,830	246	16,486	16,207	186
(iii) License Fees	2,206	3,877	--	1,658	1,658	--
(iv) Other Revenue	61,993	61,792	11,506	48,676	48,837	12,217
Total	91,918	84,291	13,083	71,556	71,435	13,583

Following matters are observed.

- (a) Although revenue amounting to Rs. 5,885,500 had been estimated under Rates and Taxes relevant to the year under review, out of that a sum of Rs. 4,794,355 or 81 percent only had been recovered. While there was an arrears sum of Rs. 1,331,813 at the end of the year under review, it had been 27 percent of the annual billing.
- (b) Although revenue amounting to Rs. 21,834,000 had been estimated under Lease Rent relevant to the year under review, out of that a sum of Rs. 13,830,463 or 63 percent only had been recovered. While there was an arrears sum of Rs. 246,796 at the end of the year under review, it had been 1.1 percent of the annual billing.

## 2.3.2 Revenue Billed and Revenue Collected

Particulars are shown below.

Revenue Head	Billings from Revenue			Collection of Revenue			Arrears of Revenue			
	Arrears as at 01.01.2015	Billings during the year	Total	Collection From arrears	Collection From billing	total	Amount Collected out of arrears 01.01.2015	Amount Collected out of Billings	Balance Arrears Computation as at 01.01.2015	Arrears According to Total Arrears as per Financial Statements
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Rates	1,292,952	4,458,430	5,751,312	877,533	4,312,057	5,189,590	415,419	146,373	561,792	1,331,813
Lease Rent	168,398	10,217,438	10,405,806	184,968	9,891,524	10,076,492	3,400	325,914	329,364	246,796
License Fees	--	2,552,576	2,552,576	--	2,552,576	2,552,576	--	--	--	--
Others	12,217,080	596,810	12,813,860	12,217,080	3,720,299	15,937,379	--	--	--	11,506,750
<b>Total</b>	<b>13,698,400</b>	<b>17,825,254</b>	<b>31,523,654</b>	<b>13,279,581</b>	<b>20,476,456</b>	<b>33,756,037</b>	<b>418,819</b>	<b>472,287</b>	<b>891,156</b>	<b>13,085,359</b>

Due to lapses in maintenance of Revenue Registers of the Sabha, balances according to computations as at 31 December 2015 did not tally with the balances shown in the financial statements.

## 2.3.3 Revenue Administration

Following matters are observed.

- Trade License Fees or Business Tax had not been recovered during the year 2015 for 15 telephone transmission towers erected in the area of authority of the Narmada Pradeshia Sabha. Due to this, License Revenue of Rs. 45,000 had been lost to the Sabha.
- While there had been 09 items of assets of the Pradeshia Sabha which could not be given on lease since the years 2012/2013, any income had not been earned from these assets since a number of years. Similarly, steps had not been taken to develop the properties to leasable condition or to earn an income from those properties.

- (c) While the Narammala Community Hall belongs to the Sabha had been given on rent in 24 instances free of charges that could be recovered in terms of provisions in the Gazette Notification dated 26 December 2014, the income lost to the Sabha amounted to Rs. 117,000.

#### **2.3.4 Court Fines and Stamp Fees**

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Court Fines amounting to Rs. 940,034 and Stamp Fees amounting to Rs. 10,566,716 were receivable as at the end of the year under review from the Chief Secretary to the Provincial Council.

### **03. Operating Review**

#### **3.1 Management Inefficiencies**

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Following matters are observed.

- (a) There were 08 vacancies in 06 posts and surpluses of 26 in 13 posts of the Sabha during the year 2015.
- (b) At the inspection of assignment of duties, it was observed that specific duties relevant to the post had not been assigned in 15 instances.

#### **3.2 Operational Inefficiencies**

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Although 13 Telephone Transmission Towers had been erected in the area of authority of the Sabha, Development Permits or Certificates of Conformity had not been obtained for those, while the Sabha had not paid attention with regard to that.

#### **3.3 Contracts Administration**

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Although a sum of Rs. 28,560 had been paid for supply and fixing 70 meters of pipes of m.m PVC Pipes of Type 1000 under Work Item R-03 of Water Supply Work for the Maternity and Child Clinic Center in Deli Kunu Ungana at the physical inspection carried out on 08 September 2015 it was observed that PVC Pipes of Type 600 had been fixed.

#### **04. Accountability and Good Governance**

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##### **4.1 Assets Management**

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###### **4.1.1 Idle and Under-utilized Assets**

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Following matters are observed.

- (a) Eight kingposts made and finished during the year 2014 costing Rs. 198,800 for the roof of the Narammala Library Building using Provincial Criteria Based Grants had been dumped behind the Community Hall Building without being used for the relevant work even up to October 2015.
- (b) It was observed that the Block Stones Machine purchased for a sum of Rs. 265,000 during the year 2010 and 360 wooden decks of size 2' x 1' made for stacking those stones manufactured remained idle without being used.

#### **05. Systems and Controls**

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

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