

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 07 April 2017 while Financial Statements relating to the preceding year had been submitted on 22 July 2016. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 29 September 2017.

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 2016 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

The following matters are observed.

- (a) Sixty one items including computer accessories and air conditioners valued at Rs.1,858,174, which should be brought to account under machinery and equipment, had been accounted under furniture and equipment.
- (b) The suite of concrete chairs purchased for Rs.75,000 in the year under review had not been included in the financial statements.
- (c) Creditors amounting to Rs.73,189 relating to the year under review had not been included in the financial statements.
- (d) According to the financial statements of the year under review, the value of equity which amounted to Rs.161,109,946 had been indicated as Rs.161,421,485 in Note 13.
- (e) The value of 44 items of furniture and equipment received as donations from various institutions had not been assessed and brought to account.

1.3.2 Unreconciled Control Accounts

The following observations are made.

- (a) According to the financial statements of the year under review, a difference of Rs.2,066,293 was observed between balances of 04 Items of Account and balances of relating schedules.
- (b) According to the statement of financial position, prepayments of Rs.91,500 had been shown as Rs.101,500 according to the deposits schedule.

1.3.3 Suspense Accounts

Action had not been taken to identify and rectify the credit balance of the Suspense Account amounting to Rs.429,739 as at 31 December of the year under review.

1.3.4 Accounts Receivable and Payable

The following matters were observed.

(a) **Accounts Receivable**

Proper steps had not been taken by the Sabha to recover monies totalling Rs.13,815,206 receivable for over a period of one year.

(b) **Accounts Payable**

The Sabha had not taken action to pay other liabilities payable, except deposits that should be retained for a certain period.

1.3.5 Non-compliance with Laws, Rules, Regulations, Management Decisions etc.

The following non-compliances are observed.

Reference to Laws, Rules and Regulations

Non-compliance

(a) Financial Regulation 371(2) b

Ad hoc sub-impressts had been granted exceeding the requirement.

(b) Financial Regulation 371(2) c

Settlement of advances of Rs.188,000 obtained in 18 instances had been delayed from 14 days to 125 days.

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 2016 had been Rs.86,050 as compared with the corresponding excess of revenue over recurrent expenditure of Rs.62,379 in the preceding year, thus indicating an improvement of Rs.23,671 in the financial result.

2.2 Analytical Financial Review

The decrease in recurrent expenditure had mainly attributed to the improvement of the financial result of the year under review by Rs.23,671 as compared with the preceding year.

2.3 Revenue Administration

2.3.1 Rates

Action had not been taken to identify developed areas duly within the area of authority of the Pradeshiya Sabha, gazetted as prescribed and to recover rates and taxes.

2.3.2 Lease Rent

The following matters are observed.

- (a) Action had not been taken to recover a sum of Rs.360,419 that remained in arrears for a period ranging from 01 year to 10 years from 07 business premises as at the end of the year under review.
- (b) Rents amounting to Rs.68,750 relating to the year under review from 05 stalls had not been duly recovered.
- (c) A loss of at least Rs.294,297 had occurred due to failure in leasing out 14 assets rentable during the year under review.

2.3.3 Licence Fees

The following matters are observed.

- (a) Action had not been taken by the end of the year under review to recover a sum of Rs.1,140,000 from relevant institutions as minimum fees relating to processing charges and issuance of certificates of conformity from 04 telephone towers installed within the area of authority of the Sabha.

- (b) Even though it was observed that services had been supplied to various subscribers by using the same signal tower, the Sabha had not been considerate of this matter in the recovery of annual revenue from trade licenses.

03. Operating Review

3.1 Management Inefficiencies

The following matters are observed.

- (a) Action had not been taken to prepare legal deeds for 17 blocks of land according to the Register of Lands and Buildings.
- (b) Action had not been taken to register the Backhoe Loader and the motor cycle bearing No. NW VC 9914 in the Sabha.
- (c) Cheques had been issued exceeding the balance of the cash book by Rs.962,046 as at the end of the year under review.
- (d) Action had not been taken to lease out 07 stalls which were located with the Perakumpura and Giribawa bus stands of which works had been completed by spending a sum of Rs.19,080,506 in the years 2014 and 2016.

3.2 Operating Inefficiencies

The following matters are observed.

- (a) It was observed at the physical verification carried out on 14 March 2017 that the Thambuththa Park in Giribawa which had been developed by spending a sum of Rs.2,000,377, had been without proper maintenance and use.
- (b) Children's parks and fair premises had been without maintenance and as such, they were under destruction, subject to natural disasters.

3.3 Idle and Underutilized Assets

A water bowser with a capacity of 800 gallons had remained in the office premises for about 1 ½ years.

3.4 Identified Losses

The following matters are observed.

- (a) The value of 86 books that had been issued to outside readers from the Pahala Giribawa and Thambuththa libraries and not returned between the period from 1 year to 6 years, had been Rs.17,681.
- (b) Loans and advances recoverable from a period ranging from 03 years to 23 years from three persons dismissed from the service, transferred and retired, amounted to Rs.165,100.

3.5 Contract Administration

The following matters are observed.

- (a) The concrete posts of barbed wire fences fixed around the cemeteries of Pahala Giribawa, Gampola, Damsopura and Ihala Giribawa by spending a sum of Rs.1,514,145 in the year 2014 had not been up to standard. As such, certain posts had been broken by the end of the year under review.
- (b) The front valance board, top roof, the front door and fixing the door lock and laying tiles of the latrine system belonging to the Hasthikuchchi vehicle park by spending a sum of Rs.2,628,658 in the year 2015 had not been completed properly even by the year under review.
- (c) The cement floor of 40.3 metres X 9.6 metres in extent inside the building of the Parakumpura weekly fair constructed by spending a sum of Rs.4,000,000 in the year 2015, had cracked and become hollow.
- (d) In the reconstruction of the road from the Bo Tree junction beside the Sangabopura paddy store to the house of a person by building a culvert, spending a sum of Rs.494,473, the essential item of the road which is the broken culvert had not been built and only the laying of gravel had been carried out.
- (e) The estimated amount itself had been paid for uprooting and removal of trees, preparing the ground by leveling and supply and collection of gravel on the playground of Rajanganaya Yaya 04/02 College under 2 numbers of Items of Work on an estimate of Rs.352,491. As necessary steps had not been taken to complete the remaining work of the playground, the playground could not be used for the sports activities of the students.
- (f) It was revealed at the physical verification carried out in March 2017 that according to Work Item No.4 of the constructions of the causeway at Sangappala carried out in the year 2014, the concrete laid on the causeway by spending a sum of Rs.217,373 had cracked in the middle horizontally.

- (g) Even though a payment of Rs.25,429 had been made under Item of Work No. 03 for supply of soil in the development of the road by laying gravel up to Walpaluwa, Molewa in the Grama Niladhari Division of Madige, soil had been obtained free of charge from a landowner. According to Item of Work No. 04, a payment of Rs.284,698 had been made for supply and collection of gravel. However, as it was revealed that only a sum of Rs.22,000 had been paid for gravel, it was confirmed that a sum of Rs.288,127 had been misused.

3.6 Solid Waste Management

The following matters are observed.

- (a) Even though a sum of Rs.442,758 had been spent in the preceding year for fixing a fence round a land of 05 acres in extent and a gate and for erecting a name board as the solid waste management centre premises, solid waste management activities had not been commenced even by the year under review.
- (b) Even though a sum of Rs.192,505 had been spent for conducting workshops, providing garbage bins and as maintenance of garbage collecting trucks under the solid waste management programme in the year under review, the Sabha had not collected garbage in its area of authority. As such, the business community and the urban people had been disposing of garbage improperly in empty lands and beside the road.

3.7 Environmental Issues

Thambuththa park, solid waste management centre in Giribawa, Warawewa weekly fair premises, Pahala Giribawa weekly fair premises, Perakumpura weekly fair premises, latrine system of the Perakumpura weekly fair premises and the latrine system of the Haththikuchchi vehicle park had been unclean and overgrown with weeds by the time of the physical verification on 14 March 2017.

04 Accountability and Good Governance

4.1 Budgetary Control

Budgeted provisions of Rs.1,858,000 relating to 05 Objects had been completely saved.

05 Systems and Control

Weaknesses in systems and controls revealed during the course of audit were brought to the notice of the Pradeshiya Sabha from time to time by my audit queries and special attention is needed in respect of the following areas of control.

System -----	Observation -----
(a) Accounting	<ul style="list-style-type: none"> i. Failure in taking action to minimize accounting deficiencies revealed annually. ii. Non-reconciliation between registers and schedules, non-maintenance of registers, failure in balancing cash books daily and writing cheques so as to create credit balances in the cash book.
(b) Revenue Control	Failure in new assessments and in taking action to lease out property that can be leased out annually.
(c) Fixed Assets Control	Lack of safety for assets, Non-maintenance of assets properly and existence of idle, underutilized and obsolete assets.
(d) Implementation of Projects	Non-implementation of projects on public requirement, implementation of projects without revising the names of estimates and awarding projects for a lesser bid and abandoning them half way despite the availability of provisions.
(d) Waste Management	Rise in environmental issues due to the position of non-collection of garbage daily by the Sabha.