

Galenbindunuwewa Pradeshiya Sabha

Anuradhapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 17 September 2013 and the financial statements for the preceding year had been presented on 19 June 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 13 November 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 Galenbindunuwewa Pradeshiya Sabha for the year ended 31 December 2012 presented to audit.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

- (a) Library books valued at Rs.100,000 and 21 items of fixed assets of which the values were not ascertained had not been brought to account.
- (b) Current liabilities amounting to Rs.4,175,207 had not been shown in the financial statements and current assets had been understated by Rs.207,000.
- (c) Court fines and income from tube wells had been overstated by Rs.114,149 and the income from stall rent had been understated by Rs.90,400.
- (d) Although the balance of the revenue contribution to capital outlay account and the balance of the fixed assets account should be equivalent to each other, there was a difference of Rs.152,258 between the two balances.

1.3.2 Lack of Evidence for Audit

Seven items of accounts totaling Rs.3,619,930 could not be satisfactorily verified/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.373,652 as compared with the excess of revenue over recurrent expenditure amounting to Rs.1,901,271 for the preceding year.

2.2 Financial Control

The following deficiencies in financial control were observed.

- (a) Action had not been taken in terms of Financial Regulation No.396(d) of the Republic of Sri Lanka in respect of 52 lapsed cheques valued at Rs.123,942.
- (b) Officers having custody of money and stores or the officers carrying out duties relating to revenue had not kept security deposits in terms of Rule No.180 of the Pradeshiya Sabha (Financial and Administrative) Rules – 1988.
- (c) Stamp fees amounting to Rs.21,520 had not been remitted to the Commissioner General of Inland Revenue in terms of Stamp Duty (Special Provisions) Act, No.10 of 2006.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

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

Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i) Rates and Taxes	1,117	1,070	2,551
(ii) Lease Rent	2,115	2,351	395
(iii) Licence Fees	755	734	-
(iv) Other Revenue	7,126	7,171	2,310

2.3.2 Lease Rent

Action had not been taken in terms of Section 159(1) of the Pradeshieya Sabha Act No.15 of 1987 to recover rent in arrears amounting to Rs.3,463,161.

2.3.3 Court Fines and Stamps Fees

Stamp fees receivable as at 31 December 2012 from the Chief Secretary of the Provincial Council and other authorities amounted to Rs.1,729,575.

2.4 Transactions Not Supported by Adequate Authority

Salaries totaling Rs.280,420 had been paid to a Development Assistant for acting in the post of Secretary for 06 years without a formal appointment in terms of Section 13.7 of Chapter II of the Establishments Code of the Republic of Sri Lanka.

2.5 Operating Inefficiencies

The following observations are made.

- (a) An annual verification of goods had not been done to verify the stores, property, assets and other inventory goods of the Sabha in terms of Rule No.203 and 214 of the Pradeshieya Sabha (Financial and Administrative) Rules – 1988.
- (b) The stalls owned by the Sabha had not been assessed once in 05 years and lease rent had not been revised in terms of Circular No.NCP/PL/4/7/19 dated 04 August 1994 of the Commissioner of Local Government.
- (c) A corporate plan including the plans relating to the activities of the future years and an action plan for achievement of the expected activities to be implemented had not been prepared and implemented.

2.6 Legal Matters Against the Sabha

- (a) The Sabha had to pay compensation according to the judgments of the cases filed against the Sabha by outside parties demanding compensation in respect of defaulting payments in terms of the agreements in respect of construction works of a project. A further compensation of Rs.4,175,206 is payable too.
- (b) A sum of Rs.1,280,163 received during 2011 for the “Pilisaruru” Project of the Central Environmental Authority had been deposited in a bank current account. Anuradhapura District Courts had distrained this bank account because of a court case filed by a contractor against the Sabha.

2.7 Contract Administration

Seventeen projects costing Rs.5,700,000 approved under Maga Naguma Rural Road Development Project had not been implemented.

3. Systems and Controls

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

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Management