

**Galenbindunuwewa Pradeshiya Sabha  
Anuradhapura District**

-----

**1. Financial Statements**

-----

**1.1 Presentation of Financial Statements**

-----

The financial statements for the year 2018 had been presented for audit on 10 April 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 16 August 2019 and 13 July 2019 respectively.

**1.2. Disclaimer of Opinion**

-----

I do not express an opinion on the accompanying financial statements of the Pradeshiya Sabha. Because of the significance of the matters discussed in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

**1.3 Basis for Disclaimer of Opinion**

-----

**(a) Accounting Policies**

-----

**Audit Observation**

-----

Accounting policies that the Sabha to be adhered, had not been disclosed in financial statements.

**Recommendation**

-----

Accounting policies should be disclosed in financial statements.

**Comments of the  
Accounting Officer**

-----

I accepted it.  
Action will be taken to rectify in future.

**(b) Accounting Deficiencies**

-----

**Audit Observation**

-----

(i) In view of the fact that, Rs. 250,750/- of stamp duty revenue in 2017 and Rs. 615,950 /- of stamp duty revenue in the year under review had been stated as Rs. 1,000,000 in financial statements, It had been understated by Rs. 133,300.

**Recommendation**

-----

Stamp duty revenue should be correctly brought to accounts.

**Comments of the Accounting  
Officer**

-----

I accept it.  
Stamp revenue for 2017 was Rs. 750,750/-. Since we had not received this revenue in cash, we had not brought it to account. After receiving this value in cash, action will be taken to bring it to account.

(ii) Fines and warrant revenue relating to the year under review had been understated by Rs. 151,499.

Total revenue relating to the year should be brought to account.

Fines and warrant revenue for the year had been Rs. 3867153/-. But, Rs. 151,499 had been received after preparing the accounts in the year under review and actions will be taken to bring this amount to account in future.

- |       |  |   |   |
|-------|--|---|---|
| (iii) | When two projects, which had been built and given to the Sabha under the Pura Neguma Project, were capitalized as fixed assets, it had been understated by Rs. 1,954,129/- | Value of the final bill should be considered as the value of the relevant asset.                              | As per the information given by the Pura Neguma Project, This is informed you that the information brought to account are correct.  |
| (iv)  | Rs. 9,724,392 of 08 asset units in the year under review had not brought to account as fixed assets.   | Relevant assets should be brought to account following the valuation or identification of the value of asset. | I accept it.<br>Actions will be taken to bring the fixed assets to account in future.   |
| (v)   | 09 lands and buildings owned by the Sabha by 31 December in the year under review had not been valued and values had not been brought to account.                          | Valuations should be done and values should be brought to account.  | I accept it.<br>Letters had been sent to the Department of Valuation for valuating 09 lands and buildings. But the said Department has not yet done the valuation and sent back the letters. Actions will be taken to valuate these lands and buildings correctly and bring to account in future. |

**(c) Contingent Liabilities**

**Audit Observation**

Rs. 4,245,707, which was the amount to be paid furthermore related to Pokunu project and legal interest generated after 01 March 2012 had not been calculated and contingent liabilities that arise on that, had not been disclosed in the financial statements .

**Recommendation**

The amount to be paid furthermore and legal interest generated after 01 March 2012 should be calculated and disclosed in the financial statements.

**Comments of the Accounting Officer**

I accept it.  
Court Registrar has verbally expressed that the legal interest generated after 01 March 2012 would be calculated and provided. Relevant legal interest will be calculated and included in financial statements as contingent liabilities in future.

**(d) Unreconciled Accounts**

**Audit Observation**

- (i) The value stated in the balance sheet related 08 accounts subjects and value stated in the documents

**Recommendation**

The differences of balances concerned should be reconciled for rectifying the

**Comments of the Accounting Officer**

Action will be taken in future to include Arrears of court fines, arrears of stamp fees,

- |   |   |  |
|---|---|--|
| differed by an aggregate amount of Rs. 4,025,077 .  | accounts.   | unpaid pensions, retirement gratuity miscellaneous loans, industry creditor shortages and other revenues .   |
| (ii) Accumulated fund and Reserve Balance had been stated as Rs. 181,006,373 as per the trail balance as at 31 December 2018 and it had been stated in the balance sheet as Rs.18,100,637. Therefore two values had been differed by Rs. 162,905,736.   | When preparing accounts, having checked the printing errors, correct information should be presented. | It is required to get the explanation.   |
| (iii) Since the actual total in the notes related to the value of Rs. 210,098,865 in the balance sheet as at 31 December in the year under review had been Rs. 412,029,765/-, it had been differed by an aggregate amount of Rs. 212,069,100/-.         | The differences of balances concerned should be reconciled for rectifying the accounts .              | I accept it<br>Action will be taken to rectify in future.  |
| (iv) The employee loan to be recovered as at 31 December in the year under review had been Rs. 3,837,733 . But it had been stated as Rs. 3,766,466/- in the financial statements. So it had been differed by Rs. 71,267 .                               | The differences of balances concerned should be reconciled for rectifying the accounts.               | I accept it.<br>Arrears of the year and loan balance had been added and brought to financial statements. It is the arrears to be recovered from the officers who went for transfers. |
| (v) Although the value stated in the deposit register had been Rs. 6,837,444 as at 31 December in the year under review, it had been stated in financial statements as Rs. 2,062,295. So it had been differed by an aggregate amount of Rs. 8,842,739/. | All deposit registers should be annually updated and maintained.                                      | It is required to get the explanation.   |

(e) **Suspense Account**

**Audit Observation**

Actions had not been taken to find, make necessary adjustments and rectify regarding Rs. 1,130,292 of suspense account balance, which had come from 2017

**Recommendation**

Action should be taken to make necessary adjustments.

**Comments of the Accounting Officer**

I accept it.  
Action will be taken to rectify in future.

**(f) Accounts Receivable and Payable**

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) Although 02 receivable account balances totaling Rs. 65,960 as at 31 December in the year under review, had continued to exist over 5 years, action had not been taken to recover those balances even in the year under review.	Action should be taken to recover the balance to be received.	I accept it. Action will be taken to rectify in future.
(ii) Although 02 payable account balances totaling Rs. 974,459 as at 31 December in the year, had continued to exist over 5 years, action had not been taken to settle those balances even in the year under review	Action should be taken to settle the balance to be paid.	I accept it. Action will be taken to pay accounts payable in installments in future.

**(g) Lack written evidences for the audit**

Audit Observation	Recommendation	Comments of the Accounting Officer
Since Asset documents, valuation certificates, board of survey reports, schedules, age analysis, balance confirmation letters and detailed documents relating to 10 account subjects worth Rs.120,332,530 had not been presented, it could not be satisfactorily verified in audit.	Necessary written proof shall be presented to prove the value stated in the financial statements.	I accept it.

**1.4 Non compliance****Non – Compliance with laws, Rules and regulations**

Reference to Laws, Rules and Regulations	Non- Compliance	Recommendation	Comments of the Accounting Officer
(a) Pradeshiya Sabha (Financial and Administrative) Rules of 1988.			
Rule 217 and 218	Actions had not been taken to maintain a register on	Should be adhered to the	I accept that the register had not been

		lands and buildings and to check the register one in every year	rules	prepared and checked annually.
(b)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka ----- 1647(e)	Vehicle register had not been maintained.	Should be adhered to the Financial Regulations	Answer was not given.
(c)	Public Administration and Management Circular -----			
(i)	Public Administration Circular No. 30/2016 dated 29 December 2016	Fuel burning test had not been done.	Fuel burning test should be done.	I accept it. Action will be taken to do the tests in future.
(ii)	Circular No. 09/2009(I) dated 17 June 2009	Finger print machines had not been set up.	Should be adhered to the Circular	I accept it. Action will be taken to purchase a finger print machine in future.
(c)	Treasury Circular No. IAI/2002/2 dated 28 November 2002 of the Secretary to Treasury	A separate fixed asset register on Computer Accessories and software had not been maintained.	Should be adhered to the Circular.	I accept it. A relevant fixed asset register is already being prepared.

## 02. Financial Review

### 2.1 Financial Results

According to the financial Statements presented for the year ended 31 December 2018, the revenue exceeding recurrent expenditure was Rs. 5,769,582 and corresponding to the previous year revenue exceeding recurrent expenditure was Rs. 10,138,909.

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears revenue furnished for the year under review and pervious year are shown below.

Source of Revenue	2018				2017			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
	Rs	Rs..	Rs..	Rs..	Rs..	Rs.	Rs..	Rs.
(i) Assessment tax	2,072,920	2,433,317	2,024,217	5,387,865	2,072,920	2,152,687	2,097,092	4,978,765
(ii) Rent	5,557,250	5,410,420	5,666,955	95,770	4,097,020	4,955,892	4,868,572	352,305
(iii) License Fees and services	5,331,000	4,546,902	4,389,652	157,250	5,283,000	3,309,848	3,309,848	-
(iv) Other revenue	3,158,000	7,104,001	2,155,270	7,271,827	1,874,100	8,091,848	9,557,269	2,323,096
Total	16,119,170	19,494,640	14,236,094	12,912,712	13,327,040	18,510,275	19,832,781	7,654,166

## 2.2.2 Performance in collection of Revenue

### Audit Observation

Although the total revenue to be collected had been Rs. 27,348,806 by 31 December 2018, 52% of that revenue amounted only to Rs. 14,326,094 had been collected.

### Recommendation

Action should be taken to recover the arrears of revenue.

### Comments of the Accounting Officer

Answer was not given.

## 2.2.3 Rates and Taxes

### Audit Observation

Action in terms of Section 134(1) of the Provincial Council Act No.15 of 1987, action had not been taken to declare the developed areas in authority areas of the Sabha, and to do annual property valuation and to charge the assessment tax.

### Recommendation

Actions should be taken in accordance with the Act.

### Comments of the Accounting Officer

I accept it. The Galenbindunuwewa Municipal area has not been mapped and gazetted with regard to assessment charges. As a result of this, a problematic situation has been arisen relating to banning of property .

## 2.2.4 Licence Fees

### Audit Observation

(a) In terms of Rules 59 -66 of the Pradeshiya Sabha (Financial and Administrative) Rules of 1988, a survey had been carried out relating

### Recommendation

Should be adhered to rules.

### Comments of the Accounting Officer

I accept it. Action will be taken to rectify in future.

to the institutions in which trade license, industry levy and professional tax to be charged. But it had not been documented and actions had not been taken against to such institutions which failed to pay fees.

- |     |   |   |   |
|-----|---|---|---|
| (b) | Actions had not been taken to carry out surveys relating to notice boards in the area of authority, record them and to charge fees. | Actions should be taken to carry out surveys, record them and to charge fees. | I accept it.<br>The staff has been employed for this purpose and action will be taken to rectify. |
| (c) | Actions had not been taken to identify the parties who should obtain the environmental permits and to charge the license fees.      | Action should be taken to charge the license fees.                            | I accept it<br>Action will be taken to rectify in future.   |
| (d) | Actions had not been taken to carry out a survey about Telephone transmission towers and to charge the fees.                        | Actions should be taken to carry out surveys and charge fees.                 | I accept it<br>Action will be taken to rectify in future  |

### 03. Operating Review

#### 3.1 Performance

Matters revealed in the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people in terms of Section 3 of the Pradeshiya Sabha Act, are as follows.

#### (a). By-Laws

##### Audit Observation

Even though By-laws should have been imposed under Section 126 of the Pradeshiya Sabha Act for the execution of 28 key functions, by-laws had not been imposed relating to the execution of those functions

##### Recommendation

Should be adhered to the Act.

##### Comments of the Accounting Officer

I accept it.  
Actions have been taken to commence discussions about the matter of preparing the By -laws with the Department of Local Government and to prepare the same

**(b). Action Plan****Audit Observation**

Annual action plan had not been prepared.

**Recommendation**

Annual action plan should be prepared.

**Comments of the Accounting Officer**

I accept it.  
The task has already started. Action will be taken to rectify in future.

**(c). Non obtaining the anticipated benefit (Out Come)****Audit Observation**

In view of the fact that technical defects of constructions and installation of Ashwaya bendi wewa water project that had been constructed incurring the expenditure of Rs. 18,128,075 during the time period from 2009 to 2012, the water project had been deactivated as at 12 May 2019, on which the audit was carried out.

**Recommendation**

Action should be taken to implement the project.

**Comments of the Accounting Officer**

I accept it.  
Preliminary work has already been done to implement the project expeditiously.

**(d) Sustainable development Goals****Audit Observation**

The Sabha had not been aware of the Agenda 2030 on the Sustainable Development Goals adopted by the United Nations Organization.

**Recommendation**

Should be made aware on the agenda and necessary actions should be taken accordingly.

**Comments of the Accounting Officer**

I accept it.

**3.2 Management Inefficiencies****Audit Observation**

In terms of the case decision relating to Pokunu Project, after auctioning the property of the Sabha the amount furthermore payable had been Rs. 4,245,707. The management had not discussed with the relevant parties and come to a formal discussion relating to the amount payable.

**Recommendation**

The management and the Department of Local Government should take steps to recover the losses from the responsible parties for this malpractice and to settle the amount payable.

**Comments of the Accounting Officer**

I accept it.  
A council decision was taken by the General Council on .21.06.2019 in this regard. Accordingly, the Sabha has decided to present the matters to the Chief Ministry of North Central Province, which is directly responsible party for this purpose, and to recover the



money that had been charged from the Pradeshiya Sabha and to request that it would be suitable to include the amount furthermore payable to the contract organization in the budget 2020 of North Central Province and to make payments by the Provincial Council

### 3.3 Human Resource Management

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) There had been 13 vacancies in the permanent staff and excess number of employees had been 03. But it was also revealed that there had been 06 casual staff members.</p>	<p>Action should be taken to fill the staff vacancies.</p>	<p>I accept the observation. The Department of Local Government has assigned 02 technical assistant posts to the Sabha despite the approved cadre is 4. Although 06 posts of health labourers have been approved, 07 health labourers have been recruited. Accordingly, I state that there are 03 redundant posts. Upon the decisions of the Sabha, 06 appointments had to be recruited with the recommendation of the Department of Local Government.</p>
<p>(b) Rs. 63,408 of security deposits had been obtained from 16 officers who got transfers and retirements. But action had not been taken to pay this money to these officers.</p>	<p>Action should be taken to settle the balance.</p>	<p>I accept the observation. Action will be taken to follow the Establishment Circular of the Chief Secretary of North Central Province bearing No. 04/1999 dated 03.11. 1991</p>

### 3.4 Assets Management

#### 3.4.1 Assets not transferred

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>The Sabha had not taken over the ownership of 12 vehicles used by the Sabha.</p>	<p>The ownership should be acquired and brought to account.</p>	<p>Because of the judicial process which caused inconvenience to the Pradeshiya Sabha, new assets have not so far been transferred to the Sabha. The Commissioner of Local</p>

Government will be made aware on the decision of the Pradeshiya Sabha in future and act according to the instructions and submit it for the audit

### 3.4.2 Idle / Underutilized assets

#### Audit Observation

#### Recommendation

#### Comments of the Accounting Officer

The Tractor No. WPRD-9486 worth Rs. 2,655,318, received to the Sabha in 2016 had been parked in the Sabha premises without any use.

Getting necessary repairs done, assets should be used effectively.

Actions are underway for this purpose. Having obtained a report on repair from the Transport Engineer, action will be taken to do the repairs and obtain the services properly.

### 3.4.3 Annual Stock Verification

#### Audit Observation

#### Recommendation

#### Comments of the Accounting Officer

(a) According to the Board of Survey, a shortage of 62 items had been detected in the office by 31 December 2018.

These balances should be checked and rectified.

I accept it.  
Action will be taken to look into the matter and rectify in future.

(b) Recommendations of the board of survey conducted in 2014 and 2016 had not been implemented.

Recommendations should be implemented.

I accept it.  
Action will be taken to implement such recommendations in future.

(c) According to the accession registers, there had been 1354 books worth Rs.120,581 at the Library of Galenbindunuwewa by 31 December 2018

Inquiries should be made and necessary actions should be taken.

I accept it  
Action will be taken to look into the reasons for this in the future.