

Galenbindunewewa Preseshiya Sabha
Anuradhapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to the Audit on 28 April 2020. The summary report of the Auditor General relating to those financial statements, and the detailed management audit report had been submitted to the Chairman on 21 August 2020 and 14 September 2020 respectively.

1.2 Adverse Opinion

In my opinion, because of the significance of the matters described in paragraph “Basis for adverse Opinion” of this report, the financial statements do not give a true and fair view of the financial position of the Galenbindunewewa Pradeshiya Sabha as at 31 December 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Adverse Opinion

(a) Accounting Deficiencies

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
(i) According to the assessment tax documents, the outstanding rates as at 31 December of the year under review was Rs.2,425,881, whereas it had been shown as Rs. 4,323,778 in the balance sheet and accordingly, a sum of Rs. 1,897,897 had been overstated in the accounts.	The correct rate balance should be identified and accounted for.	Problems have arisen due to the manner in which the rates have been assessed.
(ii) Although employee security deposit Rs. 71,583 had been stated in the current liabilities, the corresponding employee security deposit investment had not been accounted for.	Employee security deposits should be accounted for.	Agree.

(b) Contingent Liabilities

Audit Observation	Recommendation	Comment of the Accounting Officer
The liabilities of Rs. 4,245,707 further remained payable in respect of the pond projects implemented in the Sabha area in previous years and the legal interest generated thereon after 01 March 2012 had not been disclosed in the financial statements as contingent liabilities.	Contingent liabilities should be disclosed in financial statements.	Since the court date is 12.10.2020, it is problematic to calculate the legal interest and the premium amount.

(c) Unreconciled Account

Audit Observation	Recommendation	Comment of the Accounting Officer
(i) The outstanding rates as at 31 December of the year under review were Rs.3,471,153 as per the outstanding assessment schedule, and Rs. 2,425,881 according to the assessment document and it was Rs.5,195,243 according to the software used for the assessment.	Action should be taken to correct the accounts by reconciling the differences in the relevant balances.	Agree.
(ii) According to the schedules as at 31December of the year under review, the balance of rates paid for the periods to come was Rs. 27,755, whereas it had been stated in the balance sheet as Rs.135,629, thus resulting in a difference of Rs. 107,874.	Action should be taken to correct the accounts by reconciling the differences in the relevant balances.	Not replied.
(iii) Although the accumulated funds and reserve balance as at 31 December 2019 amounted to Rs. 228,552,457 according to the ledger, it had been stated as Rs. 134,331,585 in the balance sheet, thus resulting in a difference of Rs. 94,220,872.	Action should be taken to correct the accounts by reconciling the differences in the relevant balances.	Agree.
(iv) The employee loans receivable as at 31 December of the year under review was Rs. 3,837,733 as per the schedules, Rs. 3,752,315 as per balance sheet and Rs. 3,738,982 as per employee credit list.	Action should be taken to correct the accounts by reconciling the differences in the relevant balances.	Opening balance in the schedule is incorrect.

(v)	Since 03 items of accounts valued at Rs. 210,000 as per the deposit documents as at 31 December of the year under review had been stated in the financial statements at Rs. 1,902,295, there was a difference totalling Rs. 1,692,295.	Action should be taken to correct the accounts by reconciling the differences in the relevant balances.	Contract deposits and meat stalls security deposits have been recorded separately. The balance of 17,789 has been in existence for 7 years and it cannot be identified.
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(vi)	Although the net asset value of the balance sheet submitted as at 31 December of the year under review was Rs. 230,032,607, the equity value had been stated as Rs.134,331,585 and accordingly, the assets and equity were unequal by Rs.95,701,022.	Action should be taken to correct the accounts by reconciling the differences in the relevant balances.	Agree.
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(d) Suspense Account

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
Without being looked into the suspense account balance of 1,130,292 accumulated in the financial statements and shown as transfers among the accounts from the year 2017 and without making necessary adjustments, it had been adjusted to the accumulated fund through the journal entries during the year under review.	It is required to look into this matter and settle the suspense account by making the necessary adjustments in the accounts	(i) Transfer of Rs.1,130,292 between accounts during the years 2017 and 2018 has been paid from the industry account for an industry to be paid from the General Account. Again a cheque has been written from the General Account and deposited into the industry account. (ii) Action will be taken to correct the difference of Rs.95,701,022 between net assets and equity in the future in the suspense account balance.

(e) Accounts Receivable and Payable

(i) Account Receivable

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
The value of 02 receivable account balances which had remained unrecovered for more than 05 years was Rs. 65,960.	Action should be taken to recover the balance due.	Advance contracts and advance balances cannot be ascertained.

(ii) Accounts Payable

Audit Observation	Recommendation	Comment of the Accounting Officer
The value of 02 payable account balances that remained unsettled for more than 05 years was Rs.965,926.	Action should be taken to settle the balance payable.	The unpaid pensions and gratuity are paid every year. The half yearly payment of Rs.50,000 is paid herein. Action will be taken to pay the stamp duty of Rs. 292,928 in the year 2020.

(f) Lack of Necessary Documentary Evidence for Audit

Audit Observation	Recommendation	Comment of the Accounting Officer
No acceptable evidence had been submitted in respect of 08 items of valued at Rs. 202,250,694.	Evidence confirming the account balance shown in the financial statements should be submitted.	Agree

1.4 Non-compliance

Non-compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, Regulations, and Management Decisions	Value	Non-compliance	Recommendation	Comment of the Accounting Officer
	Rs.			
(a) Sub-section 16 (2) of the National Audit Act No. 19 of 2018.		The annual performance report had not been submitted together with the financial statements.	Action should be taken in accordance with the Act.	Pages It has been presented from pages 111 to 126 of the Financial Statements .
(b) Pradeshiya Sabha (Financial and Administrative) Rules,1988				
(i) Rule. 59		A survey on industries and businesses had not been conducted for the year 2019.	Action should be taken in accordance with the Rules.	Although a document has been prepared and submitted for the year 2019 regarding industries and

businesses, it is acknowledged that there are some shortcomings.

(ii)	Rule. 65		The list of payment defaulters at the end of the industry and business tax payment period had not been prepared.	Action should be taken in accordance with the Rules.	Instructions have been given in writing to maintain a register of defaulters at the end of the business tax payment period in the Sabha.
(iii)	Rule. 99	4,135,029	Payments for 59 vouchers had been made without formal approval and certification from May to November 2019.	Action should be taken in accordance with the Pradeshiya Sabha Rules.	Agree.
(iv)	Rule. 168(1)		The financial statements for the year under review had been submitted on 28 April 2019.	Action should be taken in accordance with the Rules.	Agree.
(v)	Rules. 217 and 218.		Register of lands and buildings owned by the Sabha had not been maintained in accordance with Form P.S.46 and all lands and buildings had not been inspected once every year.	Action should be taken in accordance with the Rules.	Agree.
(c)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka				

(i)	1645		Running charts and monthly summaries relating to the vehicles of the Sabha had not been submitted to the Auditor General.	Action should be taken in accordance with the Financial Regulations.	Agree.

- (ii) 1647(e) A vehicle register had not been maintained. Action should be taken in accordance with the Financial Regulations. A vehicle register is maintained.

02. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 3,063,934 for the year ended 31 December 2019 as compared with the corresponding revenue in excess of the recurrent expenditure amounting to Rs. 5,769,582 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue, and Outstanding Revenue

Details on the Estimated Revenue, Billed Revenue, Collected Revenue, and Outstanding Revenue presented for the year under review and the preceding year are as follows.

Source of Revenue	2019				2018			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears at at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears at at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	2,064,067	2,448,142	5,003,790	3,512,229	2,072,920	2,433,317	2,024,217	5,387,865
(ii) Lease Rent	6,440,000	5,037,031	1,498,739	4,998,431	5,557,250	5,410,420	5,666,955	95,770
(iii) License Fees and Services	3,380,900	5,133,905	1,595,755	5,283,155	5,331,000	4,546,902	4,389,652	157,250
(iv) Other income	6,671,000	9,638,588	4,304,239	10,431,920	3,158,000	7,104,001	2,155,270	7,271,827
	18,555,967	22,257,666	9,211,013	24,225,735	16,119,170	19,494,640	14,236,094	12,912,712

2.2.2 Performance in the Collection of Revenue

Audit Observation

Although the total revenue to be collected as at 31 December 2019 was Rs.35,170,378, only Rs.24,225,735 or 69 per cent of that revenue had been collected.

Recommendation

Action should be taken to recover the revenue of the Sabha.

Comment of the Accounting Officer

Agree.

2.2.3 Rates and Taxes

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) The areas where rates should be levied in the Pradeshiya Sabha area had not been identified and gazetted.	Areas where rates is levied should be identified and gazetted.	Galenbindunuwewa Pradeshiya Sabha area has not been designated as a developed area. But rates have been collecting since the past.
(b) The rates of the year under review had been collected based on the assessment made for the year 2014 and no action had been taken to obtain provisional assessments for new constructions and alterations made after the relevant year.	New constructions and alterations should be identified and rates should be recovered by obtaining provisional assessments.	Agree.
(c) No age analysis had been submitted on outstanding rates.	Age analysis should be submitted for outstanding rates.	Agree.
(d) Lists of assessment free units had not been prepared.	A list of assessment free units should be prepared.	Agree.
(e) The billing based on the assessment of the year 2014 amounted to Rs. 1,857,782 and the outstanding as at 31 December 2019 was Rs. 3,469,479. Nevertheless, according to the assessment document the outstanding was Rs. 5,387,865.	Outstanding rates should be correctly identified and recovered.	It is certified that the outstanding balance is Rs. 2,425,881.

3. 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 Sabhas Act, are as follows.

(a) By-laws

Audit Observation	Recommendation	Comment of the Accounting Officer
Although by-laws should be imposed under Section 126 of the Pradeshiya Sabha Act to fulfill 28 key matters, by-laws had not been imposed on the relevant matters.	Action should be taken to enact by-laws for the necessary matters.	Agree.

(b) Delays in the Performance of Functions

Audit Observation	Recommendation	Comment of the Accounting Officer
Eight projects valued at Rs.5,250,000 for which provision had been made for the year under review had not been implemented.	Action should be taken to complete projects on time.	Agree. According to the policy decisions taken by the government regarding the projects mentioned in the observation, 15 per cent of the first phase and 10 per cent of the second phase of development projects were cut off.

(c) Sustainable Development Goals

Audit Observation	Recommendation	Comment of the Accounting Officer
The Sabha was unaware of the United Nations' 2030 Agenda for Sustainable Development Goals during the year under review.	Necessary steps should be taken to achieve the Sustainable Development Goals.	The Department of Local Government has informed that the Pradeshiya Sabha is taking steps on these Sustainable Development Goals at present and that special training on our scope will be conducted in the future

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) Revenue licenses for 12 vehicles in operation had not obtained for the year 2019.	Revenue licenses should be obtained for vehicles owned by the Sabha.	Agree.

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| (b) | Due to non-payment of contributions of the casual and temporary employees to the Employees' Trust Fund in the years 2007 and 2014, a surcharge of Rs. 18,486 had been paid. | This should be charged from the parties who made the delay in the preparation of half yearly reports and approved the payment. | It has been informed that due to the delay in sending half yearly reports to be sent to the Employees' Trust Fund, late fees have to be paid. |
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3.3 Assets Management

3.3.1 Non-acquisition of Assets

Audit Observation	Recommendation	Comment of the Accounting Officer
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No action had been taken to acquire the ownership of 18 vehicles worth Rs. 76,322,855 used by the Sabha as at 31 December of the year under review.	Arrangements should be made to acquire the ownership of the vehicles.	According to the case report of the pond project implemented by the Pradeshiya Sabha in the years 1999-2000, the assets of the Pradeshiya Sabha have been auctioned. These payments have not yet been finalized, and therefore, these assets have not yet been taken over by the Pradeshiya Sabha.

3.3.2 Idle and Underutilized Assets

Audit Observation	Recommendation	Comment of the Accounting Officer
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(a) Since a dilapidated shop had not been repaired, it could not be leased out.	Action should be taken to carry out necessary repairs and leased out the shop.	Proposals to construct shops with modern facilities in this premises have been included in the Development proposals.
(b) Two vehicles worth Rs. 1,322,000 parked at the Sabha premises remained dysfunctional.	Action should be taken to repaired and reuse or disposed of the vehicles.	The vehicle pointed out by the audit has been repaired and is currently in use. The motorcycle bearing No. 149/6438 has been documented by the court as a case product in relation to the pond project.
(c) The stock of water pipes valued at Rs.3,452,403 remained idle for more than 05 years.	The stock of water pipes should be used for effective purposes.	Action will be taken to auction the remaining stock of pipes from this stock of pipes as per the instructions given in the Committee on Public Accounts.

3.3.3 Annual Board of Survey

Audit Observation

Recommendation

Comment of the
Accounting Officer

According to the Board of Survey as at 31 December 2019, 102 items that were not included in the inventory had been identified. Further, the recommendations of the Board of Survey conducted in 2014 and 2016 had not been implemented.

Recommendations of the Board of Survey should be implemented. Receipt and issuance of goods should be recorded accurately.

Agree.

3.4 Procurement

Audit Observation

Recommendation

Comment of the
Accounting Officer

(a) According to subsection 6.2.2 of the Procurement Guidelines, the minimum period for invitation of national competitive bidding is 21 days, whereas only 16 days had been allowed for bidding for asset leasing for the year 2019.

The Procurement Guidelines should be followed.

Due to a delay in obtaining approval for the relevant Gazette Notification from the General Assembly, action could not be taken in accordance with the Sub-section 6.2.2 of the Procurement Guidelines.

(b) According to Circular No. 1980/46 dated 31 December 1980 of the Commissioner of Local Government, shops should have been assessed once every five year, but 35 shops had been tendered by determining a minimum bid without making an assessment.

Shops should be assessed and then leased out.

Not replied.

(c) Eight shops with a minimum bid value totalled Rs. 24,000 had been leased out on a Sabha decision without calling for tenders.

Shops should be leased so as to ensure the transparency.

Not replied.

04. Accountability and Good Governance

Internal Audit

Audit Observation

An Internal Audit Officer responsible for the Sabha had not been appointed as per Paragraph 06 of Circular No. 04/2015 dated 18 March 2015 of the Commissioner of Local Government, North Central Province.

Recommendation

An internal audit officer should be appointed to carry out the audit.

Comment of the Accounting Officer

Not replied.