

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 19 June 2012 and the financial statements for the preceding year had been presented on 18 July 2011. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 15 October 2012.

1:2 Opinion

In view of the comments and observations appearing in my report forwarded to the Chairman, I am unable to express an opinion on the financial statements of the Galenbindunuwewa Pradeshiya Sabha for the year ended 31 December 2011 presented to audit.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

A summary of the accounting deficiencies existed in the financial statements and the effect on the financial statements of such deficiencies is shown below.

Nature of the Deficiency -----	No. of Items -----	Value -----		
		Revenue	Expenditure	Assets
		----- Rs.'000	----- Rs.'000	----- Rs.'000
(a) Omissions from the } financial statements	04	-	-	2,052
(b) Understatements in the } financial statements	03	742	-	-
-do-	01	-	34	-
(c) Overstatements in the } financial statements	05	722	-	-
-do-	01	-	529	-
(d) Inappropriate disclosures } in the financial statements	01	837	-	-
-do-	01	-	18	-

1.3.2 Unreconciled Accounts

The total of the balances of 07 items of accounts amounted to Rs. 47,507,620 according to financial statements and the total of above balances as per subsidiary registers/ records amounted to Rs. 31,409,467

1.3.3 Unexplained Differences

Differences of Rs. 23,046 and Rs. 97,053 respectively were observed between the cash book balances and the balances shown in the financial statements as at 31 December 2011 in respect of the current account No. 6009033 at the Bank of Ceylon and the current account No. 0000107 at the Peoples Bank. But, the reasons for the differences were not explained.

1.3.4 Lack of Evidence for Audit

Ten items of accounts totaling Rs. 45,162,911 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

1.3.5 Accounts Receivable

The following matters were observed

- (a) A sum of Rs. 740,903 had been brought forward in the balance sheet for over 03 years as sundry receipts under utility services recoverable but, action had not been taken to identify and recover them.
- (b) The total of the employees loan balances due as at 31 December 2011 amounted to Rs. 795,863 and the total of the account balances outstanding for over 03 years amounted to Rs. 45,962

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2011 amounted to Rs.1,901,271 as against the excess of revenue over recurrent expenditure amounting to Rs.309,037 for the preceding year.

2.2 Revenue Administration

- 2.2.1** Estimated revenue, actual revenue and the arrears of revenue in respect of the year under review as presented by the Chairman is given below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i) Rates and Taxes	1,107	1,465	2,200
(ii) Lease Rent	1,838	1,051	350
(iii) Licence Fees	690	844	-
(iv) Other Revenue	7,895	6,279	835

2.2.2 Court Fines

Court fines receivable as at 31 December 2011 from the Chief Secretary of the Provincial Council amounted to Rs. 399,889

2.2.3 Stall Rent

The following matters were observed

- (a) According to the Circular No. NCP/PL/4/7/19 dated 04 August 1994 of the Commissioner of Local Government, the monthly stall rent should be revised at least once in 05 years. However, the rent of 38 stalls owned by the Sabha had continued to be recovered at the assessments done prior to 07 years.
- (b) Action had not been taken in terms of Section 159(1) of the Pradeshiya Sabha Act No. 15 of 1987 to recover outstanding stall rent amounting to Rs. 243,600 for over one year including stall rent totaling Rs. 15,850 due from 05 stalls at Siwalakulama that had been brought forward for over 10 years and total revenue amounting to Rs. 71,312 due from 12 stalls at weekly fair premises since year 2008.

2.2.4 Tube Well Charges

Action had not been taken in terms of Section 159(1) of the Pradeshiya Sabha Act to recover outstanding tube well charges amounting to Rs. 36,100 recoverable during the year under review and a sum of Rs. 309,300 outstanding from prior years.

2.3 Transactions Not Supported by Adequate Authority

According to Section 132(J) of the Pradeshiya Sabha Act No. 15 of 1987, the prior approval of the Minister-in-charge of the subject should be obtained to incur a total expenditure in excess of Rs. 1,000 per year in respect of holding ceremonies of common importance or religious, charity, cultural, health, entertainment or educational activities. Nevertheless, a sum of Rs. 76,500 had been spent out of the Sabha funds during the year under review, without such approval.

2.4 Contract Administration

(a) Projects Not Implemented

The following 07 projects approved under the Maga Neguma Rural Roads Development programme based on reimbursement of expenditure up to 30 September of the year under review had not been implemented due to negligence and as a result the Sabha had lost the total provision of Rs. 2,100,000

(b) Delay in Implementation of Projects

An agreement had been entered into on 02 August 2011 at a value of Rs. 1,329,060 for construction of 02 buildings with 20 stalls in each building in the land of Galenbindunuwewa weekly fair under the programme for Assisting and Participating for Livelihood of the Dry Zone. Although this project should have been completed on 02 November 2011, only the works valued at Rs. 320,750 had

been completed up to 29 June 2012, the date of audit examination and it represents 24% of the total value of works.

2.5 Operating Management Inefficiencies

- (a) The procedure of issuing licence for constructions within the area of control of the Sabha had not been methodically implemented. It was observed that licence are issued only on the applications forwarded by the people of the area. The progress of issuing conformity certificates to licence holders was in a very weak level.
- (b) Salaries and allowances amounting to Rs. 702,800 had been paid from the Sabha funds during the year under review in respect of 07 employees recruited in excess of approved limit.
- (c) A verification of goods had not been carried out after year 2000 to verify the stores, property, assets and other inventory goods of the Sabha in terms of Rule 203 of the Pradeshiya Sabha (Financial and Administrative) Rules 1988.
- (d) Action had not been taken in terms of Financial Regulation 396(d) of the Republic of Sri Lanka in respect of 53 lapsed cheques valued at Rs. 123,942 issued from year 1994 to 2011 but not presented for payment.
- (e) Stamp fees amounting to Rs. 21,520 recovered under various items of revenue had not been remitted to the Commissioner General of Inland Revenue in terms of the provisions of Stamp Fees (Special Provisions) Act No 10 of 2006 and had been retained in the deposits account.
- (f) A corporate plan including the plans relating to the activities for the future years and an action plan including the activities expected to carry out during the year under review had not been prepared and 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) Assets Management

- (c) Stores Control

- (d) Revenue Administration