

Galenbidunuweva Pradeshiya Sabha
Anuradapura District

1 Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements of the year 2017 had been presented for audit on 29 March 2018 while the report of the Auditor General for the year under review had been issued to Chairman on 28 September 2018.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Galenbindunuweva Pradeshiya Sabha as at 31 December 2017, its financial performance and cash flows for the year then ended in accordance with generally accepted accounting principle.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

- (a) The court fines charge for the year under review had been less accounted in Rs.200,332.
- (b) The current liabilities for the year under review had been overstated in Rs.91,860 due to accounting of 2 projects relevant to providing of rural facilities, Provincial Council and Pradeshiya Development Programmes valued to Rs.691,598 being accounted in creditor's account as Rs.783,458.
- (c) The licence fee revenue for the year under review Rs.813,755 had been accounted in revenue expenditure account as Rs.579,255 as a result revenue had been less accounted in Rs.234,500.
- (d) The value of 2 projects which had been constructed and entrusted to the Sabha under the Puraneguma Project was less accounted in Rs.1,954,129 under the fixed assets.
- (e) The water bill income valued to Rs.403,772 for the year under review had not been recorded and thereby the total of incomes had been undervalued.
- (f) Steps had not been taken to account for the stamp fee revenue for year 2017.

1.3.2 Current Liabilities

Although the payable sum for the pond project valued Rs.2,792,119 for the year under review had been disclosed in the financial statements, the payables inclusive of legal fees had been revealed in the statements prepared by the Sabha as Rs.4,245,707. Accordingly the further payables Rs.1,453,588 had not been revealed in the financial statements.

1.3.3 Un-reconciled Accounts

The Following facts were observed.

- (a) The stamp duty fee arrears as at December 31 for the year under review had been recorded in the financial statements as Rs.1,229,846 but according to the accounts it was Rs.730,746 and the Sabha 07 Report showed Rs.698,346.
- (b) A difference of Rs.1,888,252 had been identified among the Financial Statements, Subsidiary Accounts and Assessment Documents.
- (C) The rent income earned from the movable Assets for the year under review were accordingly Rs.4,266,217 but a difference of Rs.44,000 had been identified due to recording of income from movable Assets as Rs.4,310,217 in the accounts.
- (d) There was a difference of Rs.712,600 between the revenue accounts of heavy vehicle machinery and the accounts maintained for similar purpose.

1.3.4 Accounts Receivable and Payable

- (a) Accounts receivable

The receivable sum of the accounts Rs.106,460 had been brought forward since 3 years of time without taking action to recover.

- (b) Accounts payable

Steps had not been taken to identify and settle a balance of Rs.2,444,658 since 04 year.

1.3.5 Lack of evidence for audit

The following facts were revealed.

- (a) 09 ledger accounts relevant for the year under review had not been prepared where the final balance was Rs.185,068,164 and the beginning balance Rs.88,010,893.
- (b) Rs.146,586,169 worth of 27 journals had not been recorded in the ledger accounts.
- (c) Rs.96,600 worth rent incomes recorded in the ledger were not shown in the relevant documents.

1.3.6 Unverified transactions with sufficient authority

The following facts were revealed

- (a) There had been 3 identifiable settlements that have not been identified and settled while a sum of Rs.894,478 had been debited and Rs.2,803,643 had been credited to the accumulated fund.

- (b) According to a court order sum of Rs.311,769 had been debited in the Accumulated fund and credited to the account of Bank of Ceylon, in order to reconcile the balance, which had been suspended since 2011.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of recurrent revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs.10,138,969 while as compared with the excess of revenue over expenditure amounting Rs.3,998,823 for the proceeding year.

2.2 Financial Control

A sum of more than Rs.7 billion accumulated in 2 current accounts have failed to utilize in a effective investment.

2.3 Revenue Administration

Estimate Revenue, Actual Revenue, Revenue Arrears

- (a) Information submitted regarding the billed revenue, collected revenue and arrears revenue relating to the year under review is shown below.

Source of income	Balance brought forward as at 01.01.2017	Billed revenue during 2017	Collected revenue during the year 2017	Revenue Arrears as at 31 December 2017	
	Values Rs.	Values Rs.	Arrears 01.01.2017 Values Rs.	Billed amounts during 2017 Values Rs.	Values Rs.
Trade license	-	805,000	-	812,405	-
Shop rentals	580,200	544,200	202,710	562,200	115,250
Weekly stalls	2,426,000	2,427,570	62,275	3,821,472	-
Meat Stalls	455,665	473,600	-	475,620	59,270
Rent on movable assets	-	900,000	-	4,266,218	75,600
Street lines	-	200,000	-	189,800	-
Sand	-	-	-	20,500	-
Transportation	-	-	-	-	-
Notice boards	-	14,000	-	7,100	-
Providing water connections	-	3,500,000	-	2,036,805	-
Sales water applications	-	40,000	-	21,100	-
Water	-	75,000	-	70,887	-
Library	-	17,000	-	26,135	-

Taxation	1,846,824	1,717,920	4,791,516	1,820,537	4,847,111
Total	<u>5,308,689</u>	<u>10,714,290</u>	<u>5,056,501</u>	<u>14,136,779</u>	<u>5,097,231</u>

2.3.2 Performance of revenue collection

The following facts were revealed.

- (a) Although the billed revenue of the year under review was Rs.10,714,290 as per the Revenue Collection Performance report who had given by the Secretary of the Sabha. It had been observed a difference amount of Rs.7,795,985 hence the billed amount had presented as Rs.18,510,274 on the Financial Statements.
- (b) According to the report of collection of revenue of the Secretary of the Council. the revenue arrears as at 01 January 2017 amounted to Rs.1,847,824 to Rs.4,791,516 while the billed revenue for the year amounted to Rs.1,717,920 to 1,820,537 had been collected. Accordingly the revenue arrears at the end of the year was Rs.4,847,111 and the report provided by the Secretary had been identified to be false.

2.3.3 Tax and Rates

The following facts were observed

- (a) Although according to the Tax and Rates Revenue, the rate of tax assessed was 10% in terms of the Gazette Order 2017 and the tax and rates revenue had been under accounted by Rs.83,425.
- (b) During the financial year under review as at 31 December the revenue arrears were Rs.4,847,110. Actions had not been taken according to Chapter 158 No 15 of 1987 Pradeshiya Sabha Act to recover arrears.

2.3.4 Shop Rentals

During the year under review as at 31 December the shop rentals arrears totaled Rs.115,250 while actions had not been taken to collect the arrears according to the Act No 15 of 1987 Chapter 159.

3 Operation Review

3.1 Performance

The following reveals the functions relevant to regulating and controlling matters relating to public health. Public utility services and public roads under section 3 of the Pradeshiya Sabha Act, the matters that were fulfilled by the council for the convenience of the welfare of people.

- (a) By laws
-

In terms of section 122 of the Pradeshiya Sabha Act By laws were not enforced by 31 December 2017 to fulfill 28 major functions according to the Pradeshiya Sabha section 126.

(b) Action plans

The plan of functions to be performed by the Pradesiya Sabha during the year under review had not been scheduled.

(c) Sustainable Development Goals

The council was not aware of the agenda of the United Nations Sustainable development goals 2030.

3.2 Management Inefficiencies

The following facts were observed

- (a) Although there were 17 Assets under the Lands and Building, only 09 Assets had been valued at Rs.79,828,862 and actions had not been taken to accounts for the rest of the Assets.
- (b) The Financial Statements did not reveal 5 publications about the unidentified land or the value of the land.

3.3 Human Resource Management

Steps had not been taken to recover the loans of Rs.26,217 by employees from 01 to 06 year from retired and transferred officers.

Operational Inefficiencies

The following facts were observed

- (a) The Galenbindunuweva Pradesiya Sabha owned 35 shops which produce revenue, while a loss of Rs.72,000 revenue had been incurred due to failure to furnish 04 shops on rent.
- (b) Step had been taken to close the cattle stall for the non payment of 2 months premium, and action was not taken to recover the arrears of Rs.59,270 according to Pradeshiya Sabha Act No.15 of 1987.
- (c) Only the cash received from the revenue of heavy vehicles and machines had been taken in to account while the sum of Rs.283,100 offset for other creditors and the sum of Rs.588,000 revenue for the Local Council modernization project had not been accounted under revenue.

3.5 Annual Procurement Plan

There was no procurement plan for the year under review as per Public Cash Circular No 01/2014 of 17 February 2014.

4 Accountability and Good Governance

4.1 Internal Audit

Even though an Internal Auditor had been appointed by the Commissioner of North Central Province in terms of section 6 of the Circular No 4/2015 of 18 March 2015 the internal auditor had not issued the audit reports.

4.2 Audit and Management Committees

Audit and Management Committees have not been established and implemented in accordance with the Circular No. GMA 2009/01 as at 09 June 2009 under the Department of Management Audit of the Ministry of Finance.

5.5 Systems and control

The shortcomings observed at the audit were periodically referred to sabha and special attention should be given under the following fields.

<u>System</u>	<u>Weaknesses</u>
(a) Budget Management	(i) Estimated revenues unrecovered. (ii) Non-controlling of estimated expenses.
(b) Accounting	(i) No maintenance of book keeping up to date. (ii) General Ledger not being balanced.
(c) Property / Assets	(i) Assets are not valued and accounted. (ii) Not ensuring security.