

Rambewa Pradeshiya Sabha  
Anuradhapura District  
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1. Financial Statements  
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1.1 Presentation of Financial Statements  
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The financial statements for the year 2019 had been presented to the Audit on 28 February 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 25 August 2020 and 14 September 2020 respectively.

1.2 Adverse Opinion  
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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 Rambewa 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  
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(a) Accounting Deficiencies  
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Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
(i) Arrears of stamp duty amounting to Rs. 2,436,000 as at 31 December of the year under review had been stated as Rs. 2,486,300 in the financial statements and as such a sum of Rs. 50,300 had been overstated.	Action should be taken to account for the correct outstanding stamp duty value as at 31 December of the relevant year.	Agree. Action will be taken to correct it
(ii) Action had not been taken to account for office equipment assets that had been identified as unregistered items as per the Board of Survey Report as at 31 December of the year under review.	Action should be taken to identify and account for the value of all the assets belonging to the Sabha.	It is informed that in the assessment of the balance of office equipment, vehicles, buildings and lands for the year 2020, those have been accounted for using the Board of Survey Report.

- (iii) Land and Buildings valued at Rs.12,986,022 as at 31December of the year under review had been stated as Rs. 11,653,653 in the financial statements, thus understating by Rs. 1,332,369.
- Action should be taken to identify and account for the correct value of land and buildings.
- Agree. Action will be taken to correct it

(b) Unreconciled Accounts

Audit Observation	Recommendation	Comment of the Accounting Officer
(i) The value of 10 accounts balances in the general ledger amounting to Rs. 9,340,809 as at 31 December of the year under review had been stated at Rs. 10,581,613 in the balance sheet, thus resulting in a total difference of Rs. 1,701,042.	Action should be taken to correct the accounts by reconciling the differences in the relevant balances.	Agree.
(ii) The total value of 05 account balances in the trial balance as at 31 December of the year under review was Rs. 176,136,118 and it had been stated as Rs.176,217,615 in financial statements, thus resulting in a total difference of Rs.1,606,481.	Action should be taken to correct the accounts by reconciling the differences in the relevant balances.	Agree.
(iii) The total value of 06 account balances amounting to Rs. 274,591,526 according to the financial statements as at 31 December of the year under review stood at Rs. 272,668,294 according to the notes to the accounts and the schedules, thus resulting in a difference of Rs. 3,459,446.	Action should be taken to correct the accounts by reconciling the differences in the relevant balances.	Agree.

(c) Suspense Account

Audit Observation	Recommendation	Comment of the Accounting Officer
Without being taken action to look into the suspense account balance of Rs. 115,378 which had been exchanged between accounts for	It is required to look into that matter and settle the suspense account by making necessary	It is informed that the suspense account balance of Rs. 115,378 which has been in existence for many years

many years and settle it by making necessary adjustments, it had been shown in the financial statement of the year under review as an overdraft balance of a current account of the Bank of Ceylon.

adjustments in the accounts.

has been referred to the General Assembly in July 2020 and steps have been taken to settle this balance as per the decisions of its proposals.

(c) Accounts Receivables and Payables  
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(i) Accounts Receivables  
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Audit Observation  
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A sum of Rs.3,655,064 pertaining to 04 accounts receivables continued to exist for a number of years in the financial statements had not been recovered.

Recommendation  
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Action should be taken to recover the receivable account balances.

Comment of the Accounting Officer  
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Since it has been in existence for many years, necessary action will be taken by referring the matter to the General Assembly.

(ii) Accounts Payable  
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Audit Observation  
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A sum of Rs.1,534,393 pertaining to 09 payable items accounts continued to exist in the financial statements over the past few years have not been settled.

Recommendation  
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Action should be taken to settle the account balances payable.

Comment of the Accounting Officer  
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Since it has been in existence for many years, necessary action will be taken by referring the matter to the General Assembly.

(e) Lack of Necessary Documentary Evidence for Audit  
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Audit Observation  
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No acceptable evidence had been presented in respect of 12 items accounts valued at Rs. 68,842,896.

Recommendation  
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Evidence to substantiate the account balances stated in the financial statements should be furnished.

Comment of the Accounting Officer  
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Agree.

1.4 Non-compliance

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 Non-compliance with Laws, Rules, Regulations and Management Decisions  
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	Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Recommendation	Comment of the Accounting Officer
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(a)	Pradeshya Sabhas (Financial and Administrative) Rules, 1988. Rules 33	A list of rates defaulters and property prohibition lists had not been prepared.	Action should be taken in accordance with the Rules.	Action has been taken for the issue of red notices on assessment payments and warrant of prohibition of property with from the third quarter of 2020.
(b)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R.1645	Running charts and monthly summaries relating to the vehicles of the Sabha had not been submitted and log books and running charts had not been properly maintained.	Steps should be taken in accordance with the Financial Regulation	Action will be taken to formally refer them to the audit before the relevant date in the future.
(c)	Public Administration Circulars -----			
(i)	Public Administration Circular No. 30/2016 dated 29 December 2016	Fuel consumption of 06 vehicles belonging to the Sabha had not been tested.	Fuel consumption should be tested in accordance with the relevant circular.	It is informed that the fuel consumption of the vehicles owned by the Sabha has commenced on 10.07.2020.
(ii)	Public Administration Circulars 09/2009 dated 16th April 2009 and Public Administration Circulars 09/2009 (i) dated 07 June 2009.	Arrivals and departures had not been confirmed by finger scanners until August 2019.	Action should be taken to confirm the arrival and departure by the finger scanners as per the relevant circular.	One person who had not properly recorded the arrival and departure from the month of August 2020 has been interdicted and action will be taken to conduct inquiries on the other two employees and take measures accordingly

(d) Local Government  
Reforms Circular No.  
PL / 07/01/53 dated 14  
November 2006

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(i)	No. 09	Maintenance of registers on cemeteries, their declaration and ensuring protection by erecting fence and walls had not been carried out.	Action should be taken in accordance with the relevant circular.	It is expressed that the necessary initial steps have been taken to take over the cemeteries belonging to the Sabha.
(ii)	No. 06 2.2(iii)	A continuous road maintenance system had not been followed and the roads belonging to the Sabha had not been gazetted.	Action should be taken in accordance with the relevant circular.	It is informed that steps will be taken to prepare from the year 2021.
(e)	Local Government Circular No. 20/2002 dated 24 July 2002 of the Commissioner of Local Government, North Central Province	Although field inspectors could be paid 50 per cent of the inspection fee charged for issuing street line certificates, the entire inspection fee of Rs. 94,400 charged from 2016 to 2019 had been paid in full to the officers.	Payments should be made in accordance with the relevant circular.	Since the total amount has been distributed among the officers from 2016 to 2019, steps have been taken to recover the amount of Rs. 94,400 from the relevant officers.

2.1 Financial Results

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According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 5,061,424 for the year ended 31 December 2019 as against the expenditure in excess of the recurrent revenue amounting to Rs. 1,637,638 for the preceding year.

2.2 Revenue Administration

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

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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	Estimated Revenue	2019			2018			Total arrears at at 31 December
		Billed Revenue	Collected Revenue	Total arrears at at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	2,150,000	1,723,500	1,576,307	1,090,836	1,546,000	1,394,480	1,093,965	943,643
(ii) Lease Rent	5,662,000	8,408,465	7,279,341	3,286,650	7,092,700	5,101,135	4,801,135	2,157,526
(iii) License Fees	1,262,750	1,652,445	1,632,445	20,000	536,550	826,475	826,475	-
(iv) Other Income	4,841,850	4,001,000	3,367,341	3,775,738	5,139,100	3,560,232	1,951,429	3,142,079
	13,916,600	15,785,410	13,855,434	8,173,224	14,314,350	10,882,322	8,673,004	6,243,248

## 2.2.2 Rates and Taxes

### Audit Observation

The outstanding rates balance of Rs. 1,090,836 as at 31 December of the year under review had not been recovered.

### Recommendation

Action should be taken to recover outstanding rates.

### Comment of the Accounting Officer

It is informed that in terms of Section 158 of the Pradeshiya Sabha Act No. 15 of 1987, the Red Notices have been issued to the property owners who have not paid the assessment tax and action will be taken to take formal action thereon from the next quarters of this year.

## 2.2.3 Court Fines and Stamp Duty

### Audit Observation

The court fine and stamp duty due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2019 amounted to Rs. 1,289,438 and Rs. 2,486,300 respectively.

### Recommendation

Action should be taken to recover arrears court fines and stamp duty.

### Comment of the Accounting Officer

It is informed that necessary steps have been taken to recover the actual balance of Rs. 1,496,254 at present.

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 fulfil 28 key functions, by-laws had not been imposed on the relevant matters.

Action should be taken to impose by-laws in terms of Section 126 of the Pradeshiya Sabha Act.

Action will be taken to impose by-laws in the future.

(b) Sustainable Development

Audit Observation

Recommendation

Comment of the Accounting Officer

The Sabha was unaware of the 2030 Agenda of the United Nations Sustainable Development Goals.

Measures should be taken in accordance with the United Nations Sustainable Development Agenda 2030.

The officer in charge of the subject of development has been made aware to prepare relevant plans to achieve the sustainable development objectives from the year 2020.

(c) Abandoned Tasks

Audit Observation

Recommendation

Comment of the Accounting Officer

Although 04 activities had been commenced and Rs. 592,185 had been spent thereon during the year under review, they had been abandoned without achieving the expected results even by 31 December 2019.

Action should be taken to complete the works in accordance with the agreements.

Agree.  
As the work had not been completed on the due date, action was taken to extend it at the request of the contractor.

(d) Delays in the Performance of Activities

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Audit Observation

Recommendation

Comment of the  
Accounting Officer

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The progress of 09 contracts at an estimated cost of Rs.3,647,842 for which contracts had been signed during the period from August to September stood from 50 per cent to 75 per cent as of 31 December 2019.

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Action should be taken to complete the works in accordance with the agreements.

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Agree.  
As the work had not been completed on the due date, action was taken to extend it at the request of the contractor.

3.2 Management Inefficiencies

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Audit Observation

Recommendation

Comment of the  
Accounting Officer

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Measures in accordance with Financial Regulations had not been taken regarding the loss of Rs.1,593,250 caused by an accident to a vehicle worth Rs. 6,390,000.

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Action should be taken in accordance with financial regulations regarding the loss.

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Not commented.

3.3 Assets Management

3.3.1 Failure to Document Assets

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Audit Observation

Recommendation

Comment of the  
Accounting Officer

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The 44 cemeteries controlled by the Sabha had not been included in the register of fixed assets.

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Action should be taken to document all the assets belonging to the Sabha.

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It is informed that the information has been entered as per the new accounting standards for the year 2020.



### 3.3.2 Non-acquisition of Assets

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Audit Observation	Recommendation	Comment of the Accounting Officer
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(a) No action had been taken to take over the ownership of 10 lands and 45 cemeteries to the Sabha by surveying those properties.	Arrangements should be made to take possession of all the assets used by the Sabha and to assess and account for them.	It is informed that action will be taken in the future to take over the lands and cemeteries owned by the Sabha.
(b) No arrangements had been made to take possession of 09 vehicles worth Rs. 68,709,729 used by the Sabha.	Arrangements should be made to take possession of all the assets used by the Sabha and to assess and account for them.	It is informed that the necessary arrangements will be made to take over all these vehicles to the Sabha during this year.

### 3.3.3 Idle and Underutilized Assets

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Audit Observation	Recommendation	Comment of the Accounting Officer
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Four units of assets valued at Rs. 6,866,402 remained idle over many years without being used.	Action should be taken to utilize all assets with maximum efficiency.	It is informed that action will be taken to submit the relevant items to the Board of Survey in the year 2020.

### 3.3.4 Utilization of Vehicle

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Audit Observation	Recommendation	Comment of the Accounting Officer
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(a) The parties responsible for the arrears of Rs. 2,159,775 for leasing vehicles / machinery as at 31 December 2019 had not been identified.	Action should be taken to recover the arrears by identifying relevant parties.	Not commented.

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| (b) | The running charts for 370 meter hours of the bulldozer had been misplaced.  | Books and documents should be protected by the officers in charge of running charts. | It is informed that the running charts recorded from 13.07.2018 to 22.07.2019 and from 23.07.2019 to 13.02.2020 have been submitted to the Secretary of the Co-operative Employees Commission for a special investigation. |
| (d) | The balance due for leasing the motor grinder as at 31 July 2019 was Rs.453,175 and the details of renting and arrears to be recovered from August to December 2019 had not been furnished to audit. | Information on revenue arrears should be submitted to the audit.                     | The detailed report on the arrears for the motor grader machine bearing No. WPZA 5303 from August to December 2019 will be submitted to the audit in due course.   |

### 3.4 Identified Losses

Audit Observation	Recommendation	Comment of the Accounting Officer
A cab worth Rs. 6,390,000 had met with an accident on 16 May 2019 and caused a loss of Rs. 1,583,250. Insurance compensation had been rejected on the basis of misinformation and misuse of the vehicle and the vehicle remained parked at the local repair center of the local agent.	Action should be taken in terms of Financial Regulations 103, 104, and 105 and to recover the damages.	It has been revealed that the entire responsibility for the accident lies on the careless driving of the driver at that time and it has been informed to recover the loss of Rs. 1,583,250 from the driver.

### 3.5 Apparent Irregularities

Audit Observation	Recommendation	Comment of the Accounting Officer
The money recovered from the 04 receipt books given to the Technical Officer to recover the money when the vehicles owned by the Sabha were given on rent basis had not been credited to the Sabha Fund.	All money charged by receipts should be credited to the Sabha Fund.	Agree. It is informed that all the receipt books being used at present are kept in the safe.

04. Accountability and Good Governance  
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4.1 Internal Audit  
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Audit Observation  
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An Internal Auditor who is directly responsible for had not been appointed under Paragraph 06 of Circular No. 04/2015 dated 18 March 2015 of the Commissioner of Local Government, North Central Province.

Recommendation  
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Action should be taken to appoint an Internal Auditor in accordance with the relevant circular and to obtain reports.

Comment of the Accounting Officer  
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Although it appeared in the examination of the duty assignment documents for the year 2018 that appointment of an Internal Audit Officer had taken place, the officer had not submitted the relevant reports or prepared an audit plan.

4.2 Audit and Management Committees  
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Audit Observation  
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Audit and Management Committee meetings for the year 2019 had not been held according to the Ministry of Finance Circulars No. DMA / 2009 (1) (i) dated 28 January 2016.

Recommendation  
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Steps should be taken to conduct Audit and Management Committees.

Comment of the Accounting Officer  
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Steps have been taken to conduct Audit Management Committees for the ensuing quarters of 2020.