

**Galgamuwa Pradeshiya Sabha
Kurunegala District**

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements of the year 2018 had been presented to the audit on 02 April 2019 and the summary report of the Auditor General on those financial statements had been sent to the Chairman on 30 May 2019 and the Detailed Management Audit Report had been sent to the Chairman on 19 June 2019.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph on the basis for qualified opinion, the accompanying financial statements give a true and fair view of the financial position of the Galgamuwa Pradeshiya Sabha as at 31 December 2018, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
(a) Thirteen (13) items of fixed assets worth Rs. 9,671,595 as at the end of the year under review had not been brought to accounts.	Action should be taken to account the estimated value and the value of new constructions under fixed assets.	It is kindly informed that this would be rectified in the ensuing year.
(b) Values of 09 cemeteries, 11 playgrounds and 04 lands owned by the Sabha had not been estimated and brought to accounts.	Action should be taken to estimate and to account the lands owned by the Sabha.	Documents had been sent to the Valuation Department for obtaining the estimated value of the lands and action would be taken to include the information in the fixed assets register after obtaining the information.
(c) Even though the value of a tractor and a trailer was Rs. 1,026,500, it had been indicated as Rs. 1,512,200 in the financial statements.	Action should be taken to account the accurate value of the assets.	Comments had not been made.

- | | | | |
|-----|--|--|--|
| (d) | Even though the accurate stock value as per stock ledgers as at 31 December 2018 was Rs. 2,647,630, it had been stated as Rs. 2,771,161 in the financial statements. | Action should be taken to account the accurate value. | Even though the grand total of the stock balances pointed out in the audit query was Rs. 2,647,630, it is not an accurate stock balance and it was confirmed in the re check that the actual value of the stock balance was Rs. 2,771,161. |
| (e) | Even though the court fines to be received as at the end of the year under review was Rs.4,503,117, it had been stated as Rs. 1,747,867 in the financial statements. | Action should be taken to account receivables accurately. | Even though the court fines of the year under review had been brought to accounts accurately, I accept that the Heads had been interchanged in printing by a printing mistake. |
| (f) | Even though the balance of the industrial creditors by the end of the year under review as per the industry register was Rs. 55,886,935, it had been stated as Rs. 56,065,862 in the financial statements. | Action should be taken to account the accurate value. | Arrangements will be made to rectify the shortcomings pointed out in the audit query in the preparation of the financial statements of the year 2019. |
| (g) | It was not possible to verify 02 items of accounts totaling Rs.22,097,716 due to the non-presentation of necessary information. | Evidences to substantiate the balances of accounts stated in the financial statements should be presented. | Action would be taken to reconcile the financial report and fixed asset registers and to rectify these values pointed out in the audit. |

1.4 Non Compliances

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

Non-compliances with Laws, Rules, Regulations and Management decisions are mentioned below.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
-----	-----	-----	-----
(a) <u>1988 Pradeshiya Sabha (Financial & Administration) Regulations</u>			
(i) 65	A register of defaulters of the	A register of the defaulters of the	Such a register would be prepared in the future and it will

- | | | | | |
|----------|--|---|--|---|
| | | payment of industrial taxes had not been prepared. | payments has to be prepared. | be submitted to the Secretary. |
| (ii) 218 | | All the lands and buildings owned by the Sabha have to be examined once a year. | Surveys on lands owned by the Sabha should be carried out in terms of the Regulations. | Since we have only one technical officer in the office of the Sabha it was not possible to examine all the lands annually and action will be taken to examine all the lands after the shortage of employees will be resolved in the future. |
| (b) | Circular No. IAI/2002/02 of 28 November 2002 of the Secretary of the General Treasury. | A separate register on computer accessories and software had not been maintained. | Action should be taken in compliance with the Circular of the Secretary of the General Treasury. | Action will be taken to maintain the register methodically in the future. |

02. Financial Review

2.1 Financial Results

As per the Financial Statements presented, the revenue which exceeded the recurrent expenditure of the Sabha for the year ended 31 December 2018 was Rs. 12,025,962 while the corresponding revenue which exceeded the recurrent expenditure in the previous year was Rs. 8,467,280.

2.2 Administration of Revenue

2.2.1 Estimated Revenue, billed revenue, collected revenue and arrears of revenue

Information on estimated revenue, billed revenue, collected revenue and arrears in revenue presented in relation to the year under review and the previous year are mentioned below.

Source of Revenue	Year 2018		Revenue Collected	Total Arrears as at 31 December	Year 2017		Revenue Collected	Total Arrears as at 31 December
	Revenue Estimated	Billed Revenue			Revenue Estimated	Billed Revenue		
	Rs.'000	Rs.'000			Rs.'000	Rs.'000		
I. Rates and Taxes	4,328	4,523	4,642	932	3,380	4,290	3,349	1,050
II. Rentals	22,043	21,106	21,101	14,773	22,121	19,038	16,646	14,041
III. License Charges	2,057	3,198	3,198	06	3,340	2,367	2,361	06
IV. Other Income	110,804	70,844	76,215	15,638	90,667	64,063	66,769	22,101
Total	139,232	99,671	105,156	31,349	119,508	89,758	89,125	37,198

Note

Value of the collected revenue in the years 2017 and 2018 includes recoveries made from arrears related to the previous years.

2.2.2 Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The balance outstanding for a period more than a year was Rs. 68,835 out of the balance of rental arrears amounting to Rs. 433,315 as at the end of the year under review.	Action should be taken to recover revenues during the due course.	The amount pointed out in the audit query was Rs.433,315.
(b) Pre payments in relation to 03 shops in the Public Market amounting to Rs. 1,254,178 which had to be fully paid by the end of March 2014 had to be recovered and a sum of Rs. 2,190,240 out of Rs. 3,705,306 to be recovered by 12 December 2018 provided under the prepayment method in the year 2017 had to be further recovered.	Action should be taken to recover revenue within the due course.	Letters had been sent to the owners of the shops by informing to pay the prepaid amounts in relation to these shops and it has been further notified through the letters that action would be taken to take over the shops to the Sabha if payments were not made.
(c) Rental arrears of leasing out of property on annual tenders amounting to Rs. 864,236 related to 10 instances existing even prior to the year under review had to be recovered and also rental arrears amounting to Rs. 1,144,013 related to the year under review had to be recovered.	Action should be taken to recover lease amounts in terms of the Agreements.	I accept that the matters pointed out in the audit query are true.

2.2.3 License Charges

Audit Observation	Recommendation	Comments of the Accounting Officer
Trade licenses had been issued for 14 paddy mills, 04 carpentry shops and 05 timber stores, for which environmental protection license had not been issued due to the arrangement of the industry and on environmental issues.	Industries that are not recommended by the Public Health Inspector should be supervised and the future action should be taken in that regard.	Licenses are provided only if the industries are recommended suitable by the Public Health Inspectors. Action is taken to cancel the license of industries which are recommended unsuitable.

2.2.4 Other Income

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The hire arrears by the end of the year under review chargeable by hiring the Motor Graders was Rs.3,235,919 and an amount of Rs. 3,016,308 had been in arrears for more than 01 year.	Action should be taken to transfer the amounts that should be recovered for the industries of the Sabha among accounts and to recover the amounts to be charged from institutions and persons.	It is informed that action would be taken to settle the amount in the future.
(b) The balance outstanding for more than 01 year out of the hire arrears amounting to Rs. 1,314,972 receivable from hiring the roller by the end of the year under review was Rs.1,309,472.	Action should be taken to charge the amounts that should be recovered from institutions and persons as the amounts have not yet been recovered.	Legal action had been taken against a person in relation to the amounts to be recovered and action is being taken to recover the amount outstanding.
(c) The balance outstanding for more than 01 year out of the hire arrears amounting to Rs. 2,665,358 receivable by 31 December 2018 by hiring the JCB Machine was Rs. 1,302,656.	Action should be taken to charge the amounts that should be recovered from institutions and persons as the amounts have not yet been recovered.	Action would be taken to settle the amount in the future.

3 . Operational Review

3.1 Performance

The matters revealed on 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 and all amenities within such area under Section 3 of the Pradeshiya Sabha Act are mentioned below.

(a) Non accomplishment of Roles

Audit Observation	Recommendation	Comments of the Accounting Officer
40 budgeted industries amounting to Rs.18,439,476 for the year under review had not been accomplished.	Attention should be focused to accomplish the budgeted industries.	The particulars of the industries had been presented.

(b) Solid Waste Management

Audit Observation	Recommendation	Comments of the Accounting Officer
Even though the fence for elephants used to prevent entering of elephants to the Solid Waste Centre had been inoperative for a period of about two years, action had not been taken to repair the fence.	Action should be taken to repair the elephant fence.	It is further informed that action will be taken to obtain a technical evaluation report by referring the task to Galgamuwa Wild life Office as the Sabha cannot get a Technical Evaluation Report.

3.2 Management inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Action had not been taken to settle Balances payable totalling Rs. 20,628,855 which had exceeded one year and more than one year.	Action should be taken to settle balances payable.	I would like to mention that instructions were issued to officers in charge of the subject to settle the amounts expeditiously.

- | | | | |
|-----|--|---|---|
| (b) | Action had not been taken to identify the deposits repayable out of the deposit amount of Rs. 7,973,605 by the end of the year under review and to re pay such deposits or to take the advance amounts to the revenue. | Action should be taken to repay the deposits or to take them to the income. | Action will be taken expeditiously to take deposit amounts to revenue or to repay the deposit amounts to the relevant depositors. |
|-----|--|---|---|

3.3 Human Resources Management

Audit Observation	Recommendation	Comments of the Accounting Officer
Vacancies and Surpluses of Employees ----- There were 19 approved vacancies and 34 surpluses in the Sabha as at the end of the year under review.	Action should be taken to not to recruit persons exceeding the approved cadre.	There were 19 vacancies in posts and recruitment has been made to fill 03 Posts and necessary action has been taken to recruit 06 Posts of Health Labourers (Contract).

3.4 Operational Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
Action had not been taken to obtain valuation reports for new constructions made subsequent to valuing property in the year 2015 and to charge rates.	Action should be taken to obtain valuation reports for new constructions and to charge rates	It was not possible to do so as there were no qualified officers and officers who had obtained systematic training and action would be taken in this regard subsequent to having discussions with the Commissioner of Local Government regarding this matter.

3.5 Assets Management

3.5.1 Assets not transferred

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Action had not been taken to transfer 07 vehicles used by the Sabha.	Action should be taken to transfer assets and to account such assets.	It is informed that necessary action would be taken to transfer the vehicles expeditiously.

- | | | | |
|-----|---|--|---|
| (b) | Action had not been taken to transfer 93 cemeteries maintained by the Sabha. | Transfer of assets should be expedited. | Requests had been sent about each cemetery to each and every relevant institution to obtain the relevant recommendations and the transfer of the cemeteries is delayed due to the delay in functioning of such institution. |
| (c) | Action had not been taken even by 13 November 2018 to transfer the land in extent of 0.152 hectares located bounded to the Nanneriya, Nawagaththegama main road which had been set apart after conducting survey activities for transferring the land to the Pradeshiya Sabha in the year 2004. | Action should be taken to transfer assets. | I would like to inform that we had requested continuously to do the transfer activities. However, the Divisional Secretary of Galgamuwa has not yet taken action to assign the transfer activities to us. |

3.5.2 Idle or underutilized Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
(a) Three (03) vehicles worth Rs. 362,500 owned by the Sabha was in the idle status without utilizing.	Action should be taken to repair or to dispose the idle assets.	It is informed that those vehicles are not in the proper running order and action would be taken in the future to auction the vehicles as per the instructions of the Engineer.
(b) Fifteen (15) assets worth Rs. 3,832,795 owned by the Sabha were in the idle status.	Attention should be focused to repay the idle assets and to use for productive functions.	At present, action is being taken to construct the roof of the floating canteen and to tender it for earning money to the Sabha. 10 Merry-go-rounds are being repaired and 04 swan boats are further in the same status.

3.6 Procurement

Supplies and Services

Audit Observation	Recommendation	Comments of the Accounting Officer
The Technical Evaluation Committee had not submitted acceptable reasons for rejecting the minimum quotations received for purchasing street lamp equipment and the Sabha had to incur a loss of Rs. 162,600 due to non-evaluation of the minimum quotations.	Action should be taken to purchase high quality equipment to be advantageous to the Sabha Fund.	Since it is very difficult to go to several institutions when it is required to purchase equipment for which quotations had not been submitted, the quotations of such institutions had not been compared.

