

Galawela Pradeshiya Sabha  
Matale 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 under review had been presented for the audit on 31 March 2017 and the financial statements relating to the previous year was presented to the audit on 31 March 2016.

1.2 Qualified Opinion  
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In my Opinion, except for the effect of the matters described in paragraph 1.3 of this report. Financial Statements give a true and fair view of the Financial position of the Galewela Pradeshiya Sabha as at 31 December 2016 and its Financial performance for the year ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements  
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1.3.1 Accounting Policies  
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The Stock Valuation method had not been disclosed with the accounts.

1.3.2 Accounting Deficiencies  
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The Following accounting deficiencies were observed.

- (a) Action had not been taken to correct the difference of Rs. 1,166,909 in the year under review which was carried forward more than 13 years in between the total sum of fixed assets and the contribution account of the revenue to the capital input.
- (b) Rs.1,203,759 spent for the development tasks of the Sabha building during the year under review had not been capitalized.
- (c) The land of 112 acres, 1 rude and 17 perches included in to 82 cemeteries owned by the Sabha had not been taken to the Sabha and recorded.
- (d) The payable industrial debtor balance as at 31 December for the year under review was over stated by Rs. 262,842.

1.3.3 Un reconciled Control Accounts  
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An imbalance of Rs. 125,249,601 was found in between balances stated in the source documents and related prime entry book and the sum of Rs. 308,497,465 related to 4 subjects stated in the financial statements.

#### 1.3.4 Accounts Receivable and Payable

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Actions had not been taken in the year under review to settle the total sum of Rs. 19,983,235 relating to 7 account balances which had been brought forward for a long time period.

#### 1.3.5 Lack of evidence for Audit

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The transactions relating to 3 subjects, total worth of Rs. 165,256,798 couldn't been observed at the audit due to the non-presentation of relevant evidence.

#### 1.3.6 Non-compliance to laws rules and regulations

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The following instances of non-Compliance were observed in the audit.

Reference to the law's rules and regulations	Non - compliance
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(a) Section 123 of the Pradeshiya Sabha Act of 1987	Actions had not been taken to confirm the interim constitution relating to renting out of vehicles.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
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i. Financial Regulations 189	Actions had not been taken in relation with a return cheque of Rs. 47,917 received in the year 2004 although 13 years had passed.
ii. FR 570 , 571	Actions had not been taken relating to the deposits of worth of Rs. 1,387,034 which has exceeded 2 years.
iii. FR 1645	Daily running charts and monthly summaries relating to the year under review for 19 vehicles owned by the council had not been presented for the audit.
(c) Public Circular no. 4/2015 dated 14 July 2015	Although the insurance facilities should be taken directly by requesting prices, insurance coverage/ policies worth of Rs. 704,135 had been obtained though an insurance agent requesting price quotations.

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| (d) | The Local Government<br>Commissioner Circular No.<br>1980/46 dated 31 December 1980. | Although the lease rentals relating to the trade stalls should be revised once in 5 years, the rentals relating to trade stalls had not been revised since 30 years time. |
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### 1.3.7 Transactions not supported by Adequate Authority

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Although the rental estimate of 2007 for the show room no. 15 of the new building at the Galewela Trade Complex was Rs. 6,750 an agreement relating to the lease rental has been made as Rs. 3,500 on the 2 December 2013 based on a decision taken at the held on 30 September 2013. Due to this the Sabha had faced a Rs. 120,250 loss of lease rental income as at the month of December in the year under review.

## 2. Financial Review

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### 2.1 Financial Results

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According to the financial statements presented for the year ended 31 December 2016 the revenue was Rs. 17,739,367 which exceeded the recurrent expenditure of the council while the revenue which exceeds the recurrent expenditure in the previous year was Rs. 10,369,664 A Rs. 7,369,703 growth was observed in the financial result in the year under review when compared with the previous year.

### 2.2 Revenue Administration

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#### 2.2.1 Performance relating to revenue collection

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The following facts were observed.

- (a) Actions had not been taken to improve the revenue by revising the lease rental once in 5 years when renting out the Sabha owned property.
- (b) The collection of rates and taxes in the council area was in a weaker level and the arrears balances had not been collected from the higher valued units but any action had not been taken for that.

#### 2.2.2 Rates

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The arrears Rates and taxes balance as at 31 December in the year under review was Rs. 1,637,440 and the billed rates value in the year under review was Rs. 1,903,676. A weak progress was observed in the collection of rates due to the receipt of Rs. 896,529 in the year 2016 that is only 47 percent.

#### 2.2.3 Lease Rent

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The following facts were observed.

- (a) Only Rs. 396 had been collected from the arrears balance of Rs. 56,029 which was as at the beginning of the year under review.

- (b) Actions had not been taken to clear the arrears beef stall rental of Rs. 84,581 which was carried forward since 5 years back.

#### 2.2.4 License Fees

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Actions had not been taken to clear the arrears License Fees of Rs. 691,370 in the year under review which had been brought forward since more than 5 years.

#### 2.2.5 Other Revenue

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The arrears water charges balance as at 31 December in the year under review was Rs. 106,725 and that balance included a balance of Rs. 46,423 which exceeded more than one year.

#### 2.2.6 Court Fines and Stamp fees

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A sum of Rs . 1,682,950 as court Fines and a sum of Rs. 16,829,167 as stamp fees should be paid by the Chief Secretariat and the other officials at the end of year under review.

### 3. Operational Review

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#### 3.1 Management Inefficiencies

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The following facts were observed.

- (a) The following facts were observed in relation to a renting out a building to the Kandurata Development Bank.
- (i). In accordance with the sections 19 (1) and (XIV) in the Pradeshiya sabha Act No. 15 of 1987, a building owned by the Sabha which is in the wholesale market area had been rented out to the Kandurata Development Bank for monthly rental of Rs. 38,000 since 2008 to 2036 without the approval of the relevant Minister. Although it was stated in the agreement that the money spent by the bank on constructions made to the building by themselves to be from the rent expenses, but they didn't agree with the Sabha relating to the cost spent on those constructions made by the bank.
- (ii). Although it had been noticed by the Department of Valuation though the letter No. ME/RP/961 dated 08 December 2016 the estimated monthly rental for that building as Rs. 70,000 , The Kandurata Development Bank was not agreed to pay of amended rental charges provisions in to the in the rental agreement.
- (b) Although more than 15 years had been passed from the final amendment of the estimated lease rental relating to 6 Sabha owned trade complexes, actions had not been taken to renew the rental agreement after the amendments.

- (c) A Sabha owned building had been rented out to establish a office of Bim Saviya since 24 April 2013 for a monthly rental of Rs. 25,000 without a proper estimation.

### 3.2 Operational Inefficiencies

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The following facts were observed.

- (a) In accordance with the Rules no 125 and 126 of Pradeshiya Sabha Act (Finance and Administration) 1988 in the P.S. 12 format should be recorded in an approved vote ledger and the approved vote ledger should be written with details to check the related expenses on each approved expenses and monthly expenses summaries, actions had not been taken to maintain properly balanced monthly vote ledgers.
- (b) Actions had not been taken to get the attorney of a 9 vehicles received from the Ministry of Provincial Councils and Local Government authorities.
- (c) Revenue inventories had not been maintained properly in relation to the renting out of 5 vehicles by the Sabha.

### 3.3 Disagreements in Transactions

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2 officers had filed a case against the Sabha based on the dismissal of 2 those officers who were appointed for permanent services without regarding the provisions of the Public Administration circular no 25/2014 dated 12 November 2014. The Lawyers fee of Rs. 300,000 had been spent from the Sabha fund.

### 3.4 Idle or Underutilized Assets

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The following facts were observed.

- (a) Rs. 3,000,000 worth of Gully Bowser and Rs. 79,000 worth of Kubota Tractor had been parked in the Sabha area without any usage.
- (b) A Solid Waste trailer and a trailer tractor had not been used for more than one year while actions had not been taken to repair or dispose them.

### 3.5 Non - economical Transactions

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Rs. 31,230 as fines and Rs. 4,435 as delay payments had been paid due to the non receipt of the revenue permit in due dates relating to the Sabha owned vehicles.

### 3.6 Contract Administration

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The following facts were observed.

- (a) Development of by - road in between Pangala road to Bulanwewa.
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This road had been concreted in 2016 by spending Rs. 500,000 under the general funds. The concreted lines of the both sides of the road with concreted paving places were not fixed properly and cracks in both sides of the roads were observed in the physical investigation.

- (b) Supply of gresel for Galewela Bus Stand
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The following facts were observed.

- (i). The supply of gresel to the Galewela bus stand by the general funds was estimated to Rs. 228,195 and has done based on the direct labour.  
An excess amount of Rs. 54,600 had been paid for 52 cubes, Rs. 1,050 per one cube due to the non estimation of the value by obtaining correct surveying reports of the bus stand.
- (ii). Although the decision was made after meeting the Board of Tender on the 19 February 2016 to select a supplier of gresel, the gresel had been transported since 26 January 2016.

- (c) Repair the Galewela Fair and Adding of a Section
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Rs. 966,074 had been paid to contract society after completing the work of the development of Galewela fair under the Provincial Specific Development Grant by making an agreement with the Mahawela Yaya farmers Association on the 30 October 2015, There Rs. 52,784 had been paid for the Budget no 12 to concreted and for 43.16 square metre, 1,223 for each square meter. It was observed at the place check that the part concreted and plastered was not in a proper standard.

### 3.7 Delayed Projects

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Two beneficiaries who had been given resource donation to construct houses under the donation of the members of the Provincial Council, had not utilized those resource efficiently and had not completed the projects.

### 3.8 Solid Waste Management

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The Ministry of Local Government of Central Province had constructed 2 covered waste removal (100 x 225) and a yard to collect the waste under Rs. 3 million donations in the year 2010 while they were repaired in the year under review by spending Rs. 212,556. The following facts were observed.

- (a) It was seen that the degradation process of waste in the drainage had not been functioned properly although the degradable waste from the 2.5 metric tons of daily accumulated waste had been sent to the area of authority of the Sabha.

- (b) When sending the degradable waste in to the drainage system, the non-degradable waste was not completely removed.
- (c) The Sabha had not identified a proper place to remove Sewage.

#### 4. Accountability and good governance

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##### 4.1 Budgetary control

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The following facts were observed.

- (a) Any expense had not been made out of Rs. 4,868,500 provisions allocated for 50 subjects.
- (b) Rs. 7,096,500 allocated for 30 subjects had been transferred to another subjects.
- (c) There was a variance of 9 percent to 100 percent range in between the net provision and the relating to 115 subjects.

##### 4.2 Annual Procurement Plan

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The Sabha had not prepared a procurement plan for the year under review.

##### 4.3 Internal Audit

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An internal audit system had not been conducted in accordance with the rule 5(7) of the Pradeshiya Sabha (Finance and Administration) Act 1988.

##### 4.4 Implementation of Audit and Management Committees

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Only one audit and management committee meeting were held in the year under review in terms of letter No.CPL/CLG/1/9/14 dated 08 August 2016 of the Local Authority Commissioner.

#### 5. Systems and Controls

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Special attention is needed in the following areas of controls.

- (a) Assets control
- (b) Vehicle control
- (c) Creditors and debtors control
- (d) Staff Management
- (e) Revenue Control