

Galnewa Pradesiya Sabha  
Anuradhapura District  
-----

1. Financial Statements  
-----

1.1 Presentation of Financial Statements  
-----

The Financial statements for the year 2017 has presented for the audit on 23 March 2018 and the Auditor General's Report relating to that had been submitted to the Chairmon on 28 September 2018.

1.2 Qualified Opinion  
-----

Except for the effects mentioned in the paragraph 1.3 of this report Financial Statements give a true and fair view of the Financial Position of the Galnewa Pradeshiya Sabha as at 31 December 2017 and it's Financial Performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements  
-----

1.3.1 Accounting Deficiencies.  
-----

The Following facts were disclosed.

- (a) The audit fee paid Rs.129,246 relevant to the previous year had been accounted under expenses of the year under review and the expenses was overstated as a result.
- (b) Provisions had not been made in the financial statements for the audit fee.
- (c) 8 projects carried out in the year under review had not been properly accounted for debtors and creditor values and as a result the industrial debtors valued Rs.1,033,885 and industrial creditors valued Rs.53,413 was overstated.

1.3.2 Accounts receivable and payable  
-----

(a) Accounts receivable.  
-----

For the projects implemented by the sabha Rs.44,434,031 was receivable by the end of the year under review out of which 13 projects implemented within a period of two to eight year had a balance receivable of Rs.1,059,493.

(b) Accounts payable.  
-----

Rs.45,596,460 was payable at the end of the year and out of which 22 projects completed within a period of two to eight years had a payable value of Rs.1,082,088.

1.3.3 Non – Compliance with Laws, Rules and Regulations.

-----  
Instances of non – compliance with Laws, Rules and Regulations observed in audit are shown below.

| <u>Reference to Laws, Rules and Regulations</u>  | <u>Non - Compliance</u>   |
|--|---|
| (a) Section 177 of Pradeshiya Sabha Act No.15 of 1987  | A gratuity payment fund has not been established for the temporary and easual employees when the Sabha’s appointed services are over.   |
| (b) The Financial Regulations of the Democratic Socialist Republic of Sri Lanka.<br><br>Financial Regulation 396 (b) | Actions had not been taken to settle 3 cheques valued Rs.8,950 which was dated over six months ago had not been submitted for settlement as per the Bank Reconciliation statement as at 31 December 2017. |
| Financial Regulation 571   | Action had not been taken to pay the depositors in respect of 68 outstanding deposits which amounted to Rs.92,000 nor it was credited to the sabha’s revenue.   |

2. Financial Review

2.1 Financial Result

-----  
According to the Financial Statements presented, excess of revenue over recurrent expenditure of the sabha for the year ended 31 December 2017 amounted to Rs.6,520,361 and as compared to the corresponding excess of revenue over expenditure for the preceding year according to the financial statetments submitted amounted to Rs.4,991,585.

2.2 Revenue Administration.

2.2.1 Estimated Revenue, Actual Revenue and Accrued Revenue

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

| Type<br>Income                                 | The balance brought<br>forwarded as at 01<br>January 2017 | The billed revenue for<br>the year 2017 | Revenue collection during the year 2017 |                                  | The value of arrears as<br>at 31 December 2017 |
|--|---|---|---|----------------------------------|--|
|  |   |   | Arrears at 01.01.2017                   | The Billed amount<br>during 2017 |  |
|  | Value. Rs.  | Value.<br>Rs.                           | Value. Rs.                              | Value. Rs.                       | Value. Rs.                                     |
| Wastage tax                                    | 573,300   | 1,084,600                               | 144,950                                 | 939,450                          | 573,500  |
| Shop rentals                                   | 138,600   | 451,500                                 | 50,000                                  | 388,722                          | 151,378  |
| Pipe charges                                   | 156,900   | 500                                     | -                                       | 200                              | 157,200  |
| Business<br>Licence                            | 110,575   | -                                       | -                                       | -                                | 110,575  |
| Rent on<br>tender                              | 303,743   | 554,150                                 | 5,000                                   | 553,650                          | 299,243  |
| Court fines                                    | 6,223,542   | 6,678,255                               | 1,143,695                               | 6,223,542                        | 5,534,560                                      |
| Industrial<br>and business<br>tax              | -   | 1,340,500                               | -                                       | 1,135,900                        | 204,600  |
| Industrial<br>and business<br>Stamp<br>charges | -   | 536,740                                 | -                                       | 408,490                          | 579,550  |
| Total  | <u>7,821,210</u>  | <u>10,911,245</u>                       | <u>1,343,645</u>                        | <u>9,649,954</u>                 | <u>7,738,856</u>                               |

The Following facts were disclosed.

- (a) Out of the revenue arrears remained at the beginning of the year totalled to Rs.7,821,210 only Rs.1,343,645 had been recovered during the year.
- (b) 12 percent of the billed revenue had not been recovered during the year under review.

#### 2.2.2 Rates and taxes

- (a) Rates Action had not been taken in terms of the section 134(i) of Pradeshiya Sabha Act No.15 of 1987 in order to levy taxes regarding the inefficient property and types of inefficient property located in the developed areas of the Pradeshiya Sabha

- (b) Wastage tax

ction had not been to recover arrears owed amounted to Rs.573,500 for 288 units as at 31 December according to the section 159(i) of the Pradeshiya Sabha Act.

## Court fines and stamp

-----

(a) Stamp fee

-----

Stamp fee related to the appropriate year were not specifically identified and the stamp fee of Rs.265,000 was estimated and it had not been collected during the year under review.

(b) Court fines

-----

Out of the court fine charges receivable as at 01 January 2017 amounted to Rs.6,223,542 only Rs.1,143,695 had been recovered and it was only 18 percent of the total value.

### 2.2.4 Trade license

-----

Action had not been taken to recover the trade license fee of Rs.110,575 recoverable from 522 units in terms of section 159 (i) of the Pradeshiya Sabha Act.

## 3. Operational review

-----

### 3.1 Performance

-----

The following reveals the regulation and control of matters according to section 3 of Pradeshiya Sabha Act, relating to public amenities, public utility services and public roads, public health and public welfare services fulfilled by the council for the convenience and well being of the people.

(a) By laws.

-----

Although by laws had been implemented for 28 subject items according to the section 126 of the Pradeshiya Sabha Act, even by 31 December 2017 by laws had not been imposed.

(b) Action Plan

-----

No annual action plan had been prepared by the Sabha although it should have been prepared for the year under review.

(c) Delay in fulfilment of tasks.

-----

Although grants had been allocated for 17 projects worth Rs.2,876,000 during the year under review and the past year, the projects had not been commenced even by 20 June 2018.

(d) Not providing expected benefits.

-----  
The following facts were disclosed.

- (i) In order to generate revenue for the Pradeshiya Sabha, the Boolnewa weekly stall and a toilet had been constructed at a cost of Rs.1,476,235 by the Pura Neguma project and it was ineffective without being used for the desired purpose.
- (ii) The public auditorium built at Galnewa town valued at Rs.28,500,000 was completed and handed over to the Pradeshiya Sabha during the year 2014, but even by 20 June 2018 it was not used for the set purpose.

(e) Solid waste management

-----  
The waste collected by the Sabha out of which the non recyclable waste had been dumped in a land belonged to the government near by the Pilisara Project. The residence near the area suffer from health problems being exposed to rubbish and there is environmental damage due to bumping of non-decomposed materials.

(f) Sustainable development

-----  
The Sabha had not been informed agenda regarding of the United Nations sustainable development goals 2030.

3.2 Management Inefficiencies

-----  
Although the tractor was granted by the Chief Ministry of the Pradeshiya Sabha during the year 2010, it had not been registered in the Department of Motor Traffic even by 31 July 2018 and it was not possible to obtain an insurance cover for the vehicle.

3.3 Inactive and under utilized assests

-----  
25 units of machine and tools valued Rs.1,638,000 was accumulated without being used.

3.4 Contract controls

-----  
The following facts were disclosed.

- (a) While settling payments for 2 projects carried out by the Provincial Decentralized Development Program Rs.544,955 had been paid for tasks which had not been done.
- (b) For the interconnected block slide project 200 m from the Kandukichchagama reservoir Rs.900,000 had been spent. Although a sand trap had not been broken out according to work item No.03, Rs.131,932 and Rs. 39,600 totalled Rs.171,532 was paid irregularly due to

incorrect rates and estimates prepared. By the day of inspection, the either side of the road had been sunk.

- (c) For the interconnected block slide project up to 200 m along the Diyabatiyagama road Rs.899,100 had been spent. Due to unfulfillment of the concrete wall in the desired extent according to work item No 2 and for not breaking the sand trap of 75 mm according to work item No.3, Rs.159,400 was paid excessively and for rates being prepared with incorrect estimations an excess of Rs.39,600 was paid totaling up to Rs.199,000 in an irregular manner.

4. Accountability and good governance.

4.1 Budget Control

Due to the preparation of the budget estimates without a proper forecast, 6 items related to the income showed variations ranging from 83 percent to 189 percent between the budgetary income and the actual income. And 5 subject items relevant for expenditure showed variations ranging from 12 percent to 86 percent between the budgetary expenditure and the actual expenditure. Accordingly it was observed that the budget had not been used as an effective management tool.

4.2 Audit and Management Committees

In accordance with the circular issued by the Department of Management and Audit No.DMA2009(1) dated 9 June 2009 and the Audit Circular No. NCP/CS/01 issued by the Secretary of the Local Government dated 11 May 2016 Management and Audit Committees were not established for the year.

5. Systems and Controls

The attention of the Sabha had been drawn from time to time towards the observed shortcomings during the audit and the following systems and control have remained of special concern.

| <u>Systems</u>                       | <u>Deficiencies</u>  |
|--------------------------------------|--|
| (a) Solid Waste Management           | Action had not been taken recycle the non-decaying solid waste.  |
| (b) Debtors and Creditors            | Time analysis had not been prepared.   |
| (c) Accounts Receivable and Payable. | (i) Time analysis had not been prepared.<br>(ii) The long term balances had not been identified and settled. |
| (d) Employee Management              | Not fulfilment of vacancies.   |