

**Galigamuwa Pradeshiya Sabha**  
**Kegalle District**

**1 Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2017 had been presented to audit on 29 February 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman on 20 June 2018.

**1.2 Qualified Opinion**

In my opinion, except for the effects 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 Galigamuwa Pradeshiya Sabha as at 31 December 2017 and its 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 matters were observed.

- (a) A sum of Rs.124,800 incurred for purchase of library books in the year under review had not been brought to account and as such the capital expenditure and library books and the capital contribution to revenue account had been understated by similar amount.
- (b) The water bowser valued at Rs.535,000 received for the Sabha as donations had not been brought to account.
- (c) Eight land blocks in extent of 15 acres 02 roods which had been transferred to the Sabha for common purposes in dividing lands into allotments in the land sales had not been taken in to the Register of Fixed Assets and the Accounts.
- (d) Debtors and working creditors existed as at the end of the year under review had been understated in the financial statements by Rs.1,551,990 and Rs.762,085 respectively.

**1.3.2 Accounts Receivable and Payable**

**(a) Accounts Receivable**

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The balance receivable older than 01 year as at 31 December 2017 amounted to Rs.14,701,065.

**(b) Accounts Payable**

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The balance payable older than 01 year as at 31 December 2017 totalled Rs.16,608,314.

## 1.4 Non-compliances

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

The following non-compliances with laws, rules, regulations and management decisions were observed in audit.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance
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	Rs.	
(a) Pradeshiya Sabha Act No.15 of 1987 Section 158(1)	361,492	Whenever the rates or acreage tax not paid the property of the owner should be restrained and sold or recovered the taxes. Nevertheless, legal action had not been taken to recover the taxes even by 31 December 2017 in respect of the properties for which had not been recovered taxes for a long period.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial Regulation 1646		The Daily Running Charts for 15 motor vehicles of the Sabha in respect of the period from September 2015 to May 2018 had not been furnished.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs.7,372,191 as compared with the revenue over recurrent expenditure of the preceding year amounting to Rs.8,995,783.

## 2.2 Revenue Administration

### 2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Arrears of Revenue

The information with regard to estimated revenue, billed revenue, collected revenue and the arrears of revenue furnished for the year under review and for the preceding year appears below.

Source of Revenue	Estimated Revenue	2017			Total arrears as at 31 December	2016			Total arrears as at 31 December
		Billed Revenue	Collected Revenue	Rs.		Estimated Revenue	Billed Revenue	Collected Revenue	
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	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	1,855,000	1,712,974	1,426,656	347,243	2,377,000	2,428,824	1,811,284	617,540	
Lease Rent	4,483,775	2,317,060	2,211,110	105,950	3,488,500	259,430	259,430	-	
Licence Fees	880,200	897,233	897,233	-	836,200	459,200	459,200	-	
Other Revenue	14,556,000	15,502,332	6,226,038	9,276,294	15,492,000	64,075	64,075	-	

### 2.2.2 Performance in Collection of Revenue

A comparison of the estimated revenue of the year under review with the revenue collected showed a decrease in revenue collected from rates and taxes, lease rent and other revenue by 23, 51 and 57 per cent respectively and the revenue collected from licence fees had increased by 2 per cent.

### 2.2.3 Licence Fees

The following matters were observed.

#### (a) Environmental Protection Licences

According to the Extra Ordinary Gazette Notification No.1533/16 published under the National Environmental Act No.47 of 1980 as amended by the Act No.53 of 2000 and Act No.56 of 1988, the Environment Protection Licences had not been issued for 78 business institutions for which should be obtained environmental protection licences in the authoritative area of the Sabha even by November 2017. It was not ensured that the institutions who had not obtained licences are maintaining the businesses in compliance with the conditions of the Environmental Authority and a revenue of Rs.312,000 receivable to the Sabha had also been deprived.

**(b) Trade Licences**  
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Action had not been taken to recover licence fees amounting to Rs.5,280 recoverable from 04 business places as at the end of the year under review in terms of Section 150(4) of the Pradeshiya Sabha Act.

**2.2.4 Other Revenue**  
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One per cent of tax of the sales value should have been recovered by the Sabha from the lands sold. Nevertheless, the taxes had been recovered on the assessment value of 3 lands sold. Action had not been taken to obtain the details from the land Registry and to recover the due taxes.

**3. Operating Review**  
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**3.1 Performance**  
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The matters revealed in respect of the activities that should be carried out by the Sabha such as regularize and control over the matters on public health, public utility services and public roads and comfort, facilities and wellbeing of the people under Section 3 of the Pradeshiya Sabha Act are given below.

**(a) Sustainable Development Goals**  
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As the Sabha had not aware the 2030 Agenda relating to the Sustainable Development Goals, the long term plans to upgrade the livelihood and the health of the people of the authoritative area of the Sabha had not been prepared through global indicators for that objectives even by May 2018.

**(b) Solid Waste Management**  
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As a place had not been available to dispose gully waste in the authoritative area of the Sabha, the gully bowser had not been utilized for service.

**3.2 Management Inefficiencies**  
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One hundred and seven buildings applications submitted for the approval during the year under review had not been approved while it was not confirmed whether the constructions had been done in the places of which buildings plans approved and if not the period of the approval had been extended. In addition to that the follow-up action had not been taken to check whether the of certificate of conformity had been obtained for the buildings newly constructed.

### 3.3 Human Resources Management

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Action had not been taken to fill 06 vacancies existed as at 22 November 2017 as per the approved cadre.

### 3.4 Assets Management

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The following matters were observed.

#### (a) Idle and Underutilized Assets

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Action had not been taken either to repair or to dispose a tractor removed from running and remained decaying from June 2013.

#### (b) Assets not Vested

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The number of vehicles utilizing by the Sabha but the registration ownership belonged to other institutions amounted to 13.

### 3.5 Procurements

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#### Annual Procurement Plan

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A procurement plan for the year under review had not been prepared.

## 4. Accountability and Good Governance

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### 4.1 Budgetary Control

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Hundred per cent of the provisions totalling Rs.4,769,000 made for 24 Objects in the budget for the year under review and the provisions ranging from 50 per cent to 99 per cent made for 18 Objects totalling Rs.4,995,000 resulting in a total sum of Rs.9,764,000 had not been utilized.

## 5. Systems and Controls

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The deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of control.

<b>System</b>	<b>Deficiencies</b>
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(a) Assets Management	(i) The value of lands not assessed and brought to account. (ii) Failure to update the Register of Fixed Assets.
(b) Internal Control	An adequate audit not carried out.
(c) Debtor's Control/ Creditors' Control	Action not taken in a manner to minimize over/ under provisions.

- (d) Revenue Administration
  - (i) Failure to take legal actions to recover arrears of rates and taxes.
  - (ii) Failure to update assessment of rates.
  - (iii) Failure to carry out a survey on the areas that recovered acreage taxes.
  - (iv) Failure to carry out a new assessment for the trade stalls since the year 2015.
  - (v) Failure to update revenue registers as per the survey reports.