

**Galnewa Pradeshiya Sabha
Anuradhapura District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented to the Audit 29 March 2019 and the summary report of the Auditor General relating to those financial statements had been submitted to the Chairman on 26 June 2019 and the detailed management audit report had been submitted on 09 July 2019.

1.2 Qualified Opinion

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

1.3. Basis for Qualified Opinion

(a) Accounting Policy

Audit Observation

Recommendation

Comments of the
Accounting Officer

The Financial Statements of the Sabha had been presented in terms of the Sri Lanka Accounting and Auditing Standards Act No 15 of 1995.

The financial statements should be prepared in accordance with the Sri Lanka Public Sector Accounting Standards or generally accepted accounting principles.

Not presented.

(b) Accounting Deficiencies

Audit Observation

Stamp Duty revenue of Rs. 182,050 of the year 2017 had been accounted for as revenue of the year under review and the Stamp Duty Revenue for the year under review had not been calculated and accounted for.

Recommendation

Accounts should be submitted on the basis of accurate information.

Comments of the Accounting Officer

Since the Provincial Revenue Department takes a long time to do computation and deliver the relevant value to us, the stamp duty income for the year 2018 had to be brought to account as Rs. 182,050.

(c) Accounts Receivable and Payable

Audit Observation

A sum of Rs. 384,573 remained recoverable to the Sabha from the year 2001 to 2017 relating to the lease on tenders.

Recommendation

Action should be taken to recover the arrears of tax.

Comments of the Accounting Officer

Arrangements have been made to recover these in the future.

(d) Lack of Documentary Evidence for Audit

Audit Observation

As the detailed schedules and age analysis relating to 8 items of accounts worth Rs 1,710,607. had not be presented those could not be satisfactorily verified in audit.

Recommendation

Necessary written evidence should be furnished to substantiate the value set out in the financial statements.

Comments of the Accounting Officer

Action will be taken to submit the detailed documents and age analysis in the future.

1.4 Non-compliance

Non-compliance with laws, rules, regulations and management decisions

Reference to laws, rules and regulations	Amount Rs.	Non-compliance	Recommendation	Comments of the Accounting Officer
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Section 2 (1) of Motor Traffic Act (Cap.203)	5,163,870	A bowser, a tractor and two trailers of the Sabha had been run without registration.	Action should be taken in accordance with the Act.	I will take action to register in the future.

1.5 Transactions not supported by an adequate authority

Audit Observation	Recommendation	Comments of the Accounting Officer
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Without adopting a proposal by the Sabha or obtaining approval of the Minister in terms of Section 182 of the Pradeshiya Saba Act No.15 of 1987 to waive totally or part of any amount due to the Sabha, a sum of Rs. 3,007,357 had been waived during the year under review.	Action should be taken in accordance with the Act.	In order to adjust the licence fees, business tax, outstanding stamp duty, industrial debtors, revenue debtors balances accurately, the relevant amount was waived from the books.

02. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 7,360,892 for the year ended 31 December 2018 as compared with the corresponding revenue in excess of the recurrent expenditure amounting to Rs. 6,520,361 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue, and Revenue in Arrears

Information on the estimated revenue, billed revenue, collected revenue, and revenue in arrears, presented relating to the year under review and the preceding year, is given below.

Source of Revenue	2018				2017			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December 2018	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December 2017
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Tax	1,089,000	1,106,750	1,088,500	590,650	800,000	1,084,600	1,084,400	573,500
Rents	462,000	557,500	460,300	247,578	462,000	451,500	439,722	150,378
Licence Fees	2,022,900	2,329,420	2,293,340	819,898	1,758,750	2,431,390	2,103,040	742,668
Other Revenue	13,343,320	16,775,264	13,326,089	9,799,584	8,300,900	15,033,557	15,457,239	6,271,309
Total	16,917,220	20,768,934	17,168,229	11,457,710	11,321,650	19,001,047	19,084,401	7,737,855

2.2.2 Performance in Revenue Collection

Audit Observation	Recommendation	Comments of the Accounting Officer
The total arrears of Rs. 7,737,856 as at 01 January of the year under review had been Rs. 11,457,711 by 31 Decembr of the year.	Action should be taken to recover the arrears.	Not replied.

2.2.3 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) In terms of section 134 (i) of the Pradeshiya Sabha Act no.15 of 1987, the developed areas of the Pradeshiya Sabha	Action should be taken to gazette the developed areas and collect assessment	Steps have been taken to identify the developed areas for recovery of assessment tax and designate them as assessment zones.

were not declared and the assessment tax was not levied.

revenue

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| (b) | Action had not been taken to recover the outstanding Garbage Tax of Rs. 590,650 due from 314 units as at 31 December of the year under review | Action should be taken to recover the relevant outstanding Garbage Tax. | Action has been taken to collect Rs. 52,550 relating to the period from January to 30 May 2019. |
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2.2.4 Court Fines and Stamp Duty

Audit Observation

Recommendation

Comments of the Accounting Officer

The court fines and stamp duty receivable as at 31 December 2018 amounted to Rs. 8,803,884 and Rs. 840,700.

Action should be taken to recover the relevant amount.

Not replied.

2.2.5 Licence Fees

Audit Observation

Recommendation

Comments of the Accounting Officer

Action had not been taken to recover the outstanding license fee of Rs. 255,425 due from 734 business units as at 31 December of the year under review.

Action should be taken to recover arrears. Legal action should be taken against the defaulters

Not replied

2.2.6 Industrial Business Tax

Audit Observation

Recommendation

Comments of the Accounting Officer

As of 31 December of the year under review, the arrears of business taxes amounting to Rs. 169,500 had not been recovered from 136 business units.

Action should be taken to recover arrears.

A sum of Rs 4,700 has been collected during the period From January to May 2019.

03. Operating Review

3.1 Assets Management

Failure to document assets

Audit Observation

Recommendation

Comments of the Accounting Officer

Thirty six items of machines and equipment worth Rs. 2,042,323 that had continued to exist over a long period had been stored unused.

Action should be taken to utilize or dispose of assets.

Action should be taken to utilize or dispose of these assets in future.

4. Accountability and Good Governance

Implementation of Audit and Management Committees

Audit Observation

Recommendation

Comments of the Accounting Officer

According to the circular issued by the Department of Management Audit of the Ministry of Finance No. DMA / 2009 / (1) (i) dated 28 January 2016, the Audit and Management Committee meetings had not been held for the year 2018.

Action should be taken as per the relevant circular.

Not replied