

Galigamuwa Pradeshiya Sabha

Kegalle District

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for 2018 were submitted to the auditor on 14 May 2019 and the Auditor General's Summary Report on this Financial Statement and Detailed Management Audit Report was sent to the Chairman on 30 July 2019.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in basis for the Qualified opinion section 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 2018 and its financial performance for the year then ended in accordance Generally Accepted Accounting Principles.

1.3 The Basis for the Qualified Opinion

(a) Accounting Deficiencies

(b) Unreconciled Accounts

Audit Observation	Recommendation	Comments of the Accounting Officer
The value amount of Rs. 208,031 library books had been purchased for the year under review but only Rs. 186,000 books were accounted.	Accounts need to be rectified.	The library books had been purchased on value of discounts on the purchase of library books during the year under review the library books is shown in the real value.
(i) At the end of the year under review the balance of the car and cart account and the balance shown in the supporting	Documents must be correct.	The Bako loader, which had been donated by the Ministry of Local Government, has been returned to the Ministry. Action will be taken to remove those values from the records and correct them.

documents/ reports
is Rs. 5,411,893
was the difference.

(ii)

The balance of the People's Bank Employee Loan Account as stated in cash and cash equivalents as at 31 December 2018 was Rs.266,234. Nevertheless, financial statements that amount had been shown as Rs. 97,404.

Account need to be rectified.

Three cheques valued at Rs. 168,830 were recorded in the cash book. Although the bank reconciliation was prepared by adjusting those values, it was corrected because it was a mistake in the preparation of the bank reconciliation.

1.4 Non – compliance

1.4.1 Non-compliance with Laws, Rules, Regulations and Management decisions.

	Reference to Laws, Rules and Regulations and Management decisions	Non Compliance	Recommendation	Comments of the Accounting Officer
(a)	Section 158 and 159 of the Pradeshiya Sabha Act No.15 of 1987 and section 33 of the Pradeshiya Sabha (finance and administration) of 1988	Action had not been taken to collect Rs. 121,001 in assessment tax and acre levies which have exceeded one year	Should be act accordingly to the provisions of the Act	A plan has been prepared for Revenue Inspectors to charged arrears of assessment tax and acreage tax of exceeding more than one year of Rs.121,001 That they are working according to the plan
(b)	Extraordinary Gazette Notification dated 1533/16 dated 25th January 2008	The Environmental Protection License was not issued to 32 industries that discharge of waste	Shall comply with the provisions of the Act.	Awareness letters have been issued to the businessmen who are required to obtain environmental license.

and published into the
under the environment.
National
Environmental
Act No. 47 of
1980 as
amended by Act
No. 53 of 2000
and 56 of 1988.

(c) Financial
Regulations of the
Democratic
Socialist Republic
of Sri Lanka

(i).Financial Regulation 396(d)	Issued but not made to pay of Rs.83,412 worth of eight cheques had not been dealt with.	Comply with the financial regulations	Actions have been taken to remove all cheques.
(ii).Financial Regulation 571	Deposit for the period from 2010 to 2016 Rs.779,978 had not been dealt with.	Comply with the financial regulations	The construction work had not been properly completed of industry receipts of Rs.779,978 .73 therefore, action is being taken to repay the money to the doner.
(iii)Financial Regulation 1646	Running charts of 21 vehicles owned to the Sabha have not been submitted for audit since october 2015	Should Comply with the financial regulations	Action is being taken to send the daily running charts and monthly summaries to the Auditor General.

(d) Paragraph 02 of the Commissioner of Local Government Circular No: 1988/22 dated 17 May 1988.	Since the assessment was not carried out after 2009, the assessment had to be done once in five years. As a result, the Sabha could have lost the income it could have incurred from the property's annual increase in development work.	Comply with the financial regulations.	Since 2014, the Department of Valuation has periodically requested for valuation of properties. In response, the Valuation Officers came to the valuation works this year and they are in the final stages.
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2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue beyond the recurrent expenditure of the House for the year ended 31 December 2018 was Rs. 12,470,437 and correspondingly, the revenue over recurrent expenditure of the previous year was Rs. 8,462,617.

2.2. Revenue Administration

2.2.1. Estimated Income, Billed Income, Accumulated Income and Deficit Income

Details of Estimated Revenue, Billed Income, Gross Income and Arrears of Revenue for the year under review and the previous year are given below.

Source of revenue	Estimated revenue	2018			The deficit as at 31 December	2017			The deficit as at 31 December
		Billed revenue	Income Collected			Estimated revenue	Billed revenue	Collected revenue	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Rates And Taxes	2,461,368	2,391,123	2,276,462	488,169	2,389,000	2,338,024	2,370,524	423,821	
Rent	5,614,245	5,003,541	2,923,622	525,146	4,483,775	3,296,450	2,317,060	531,671	
License fee	900,200	900,200	1,158,566	22,250	880,200	914,870	897,233	-	
Other Income	15,193,034	15,193,034	15,048,029	-	14,556,000	14,556,000	15,505,332	-	

Audit Observation

Recommendation

Comments of the
Accounting
Officer

The following are the differences between the billed revenue presented by the Secretary of the Pradeshiya Sabha and reported in the Financial Statements

Should identify the differences and work to resolve them.

Estimates and taxes, licensing fees and other incomes increased due to increased revenue than billed revenue and stamp duty income at the end of the year. Loss of kotiyakumbura beef stall revenue has been affected to the decline in revenue.

Description	Billed Revenue according to Income Statement	Billed Revenue according to financial statements	Difference
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	Rs.	Rs.	Rs.
Assessment and Taxes	2,391,123	2,398,623	7,500
Rent	5,003,541	3,579,392	1,424,149
License fee	900,200	1,176,816	276,616
Other Revenue	15,193,034	22,468,908	7,275,874

2.2.2 Rentals

Audit Observation

Recommendations

Comments of the Accounting Officer

(a). The revenue of Rs. 2,547,000 had been estimated for the purpose of leasing the meat stall for the year under review since there is no suitable place for it, Rs. 1,846,500 in revenue has been lost.

Action should be taken to achieve estimated income.

The tender was informed by the lease holder that the Kotiyakumbura beef stall had been tendered for the year 2018 but it could not be maintained as it was decided to demolish it.

(b). The necessary action had not been taken to recover the arrears amount of Rs. 525,146

Action should be taken to recover the arrears

Following the verdict of the case relating to the Kotiyakumbura beef stall Judge of the Kotiyakumbura beef stall decided by the Hon. The Hon. Court directed that the assets of the lessee be presented

for the beef stall since the year 2014.

information on it has been submitted. No final decision has been made so far.

2.2.3 Other Revenue

Audit Observation	Recommendation	Comments of the Accounting Officer
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No survey was conducted to identify the leasable land and only six places were leased despite tenders were called for leasing out the 12 harvests.	Action should be taken to recover revenue	Tenders were called for 12 locations for harvesting in 2018 but no tenders were submitted for six of them.

2.2.4 Tax on Land Sale

Audit Observation	Recommendation	Comments of the Accounting Officer
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Although a one per cent tax should be levied on the sale value of lands sold in terms of section 154 of the pradeshiya sabha act Taxes were levied only on valuation value from 03 lands sold.	Action should be taken to collect revenue in accordance to the Act.	Get the Land Registry from Land Registrar's office and inspect the documents and collect the tax money.

2.2.5 Court Fines and Stamp Duty

Audit Observation	Recommendation	Comments of the Accounting Officer
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The court fine Rs. 1,687,573 and stamp duty Rs. 43,154,045 that s Should have been received by the Chief Secretary of the Provincial Council and other Executives as at 31 December 2018.	Action should be taken to recover the arrears income.	The court fines received for the months of August 2018 and until February 2019. It will bring back the relevant money promptly. All stamp duty charges for the year 2017 and for the month of May 2018 have already been received Therefore, take immediate action to recover the remaining Stamp Duty for the year 2018.

3. Operative Review

3.1 Performance

Following are the observations on the functions of the Council to regulate and administer public health, public utility services , public roads, the welfare of the people, convenience and welfare of the people had been done by the Sabha under section 3 of the pradeshiya sabha act.

(a) By-laws

Audit Observation	Recommendation	Comments of the Accounting Officer
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Although by-laws should have been enacted to fulfill 16 main matters under section 126 of the pradeshiya sabha act by-laws had not yet been enacted by 31 December 2018.	Action should be taken to enact by-laws.	The council has drafted a by-law regarding library work and has already sent it to the Assistant Commissioner of Local Government. Sixteen by-laws were added to the agenda of the General Assembly on 09 July 2019.

(b) Action Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
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There were six projects that were planned to be fulfilled in accordance with the action plan that had not been implemented for the year under review.	The action plan should work towards achieving the desired goals.	Provision of toilets for 2 families without toilets is expected to be paid in court fines and stamp duty in 2018, but due to the lack of receiving money on time, this task could not be done. It will be pay attention on other matters in the future.

(c) Abandoned tasks

Audit Observation	Recommendation	Comments of the Accounting Officer
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(i) Ten constructions entering into the agreement valued at Rs. 6,272,750 had been left untouched during	Action should be taken to complete the work in the relevant industries.	Agreements relating to constructions projects under Local Government Road Development have been signed but work has not been

the year under review.

(ii) The seven estimated constructions valued at Rs. 1,943,750 had not been fulfilled.

Action should be taken to complete the relevant industries.

completed. On 27 November 2018, the District Secretary has informed the government to suspend the implementation of all projects that have not commenced the contracted / non-accelerated Rural Development Project.

Estimates were called for the development projects of Balapatthawa Kadigamuwa Road, Maboda Theliella Road, 10 Acres Road Project on 13.09.2017, 18.07.2017 and 23.07.2017 respectively.

The Governor's letter dated 17.10.2017 stated that the development projects to be implemented in the future will be implemented subject to his approval.

(d) . Solid Waste Management

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Since the Council did not have a suitable place for disposal of sewerage, clients were deprived of access to the gully service.	A proper disposal program should be formulated.	At present our council operates a solid waste management centre on the land belonging to the Forest Department. The garbage management activities there As the land is inadequate to install a sewage treatment system, requests have been made to the forest Department for another 2 acres.

(e) Sustainable Development Goal

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Several short-term programs on sustainable development goals have been implemented, but no	Plans must be put in place for sustainable development.	The four-year plan for 2019-2021 states that the relevant projects have been included in achieving the sustainable objectives, and

long-term plans have been prepared.

copies have been sent to you by 15 March, 2019.

3.2 Human Resource Management

Audit Observation	Recommendation	Comments of the Accounting Officer
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Action had not been taken to fill 06 vacancies that exist for a long period of time and two Development Officers attached to other departments were employed.	Action should be taken to fill the vacancies.	The vacancies have been notified in writing to the Assistant Commissioner of Local Government and the Commissioner of Local Government.

3.3 Operating inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
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The Gazette Notification No. 2052 of December 29, 2017 sought to collect a tax not to exceed 2 percent of the capital value of undeveloped lands, but did not undertake a survey of such lands and collect tax money.	A survey of the land should be carried out to recover the tax	Although three Revenue Inspector posts have been approved for this Council, only one officer is serving in the year 2018. Therefore, it was not possible to conduct a survey in this regard as the officer was responsible for collecting all the revenue. A survey will be conducted this year.

3.4 Asset Management

3.4.1 documentation of assets

Audit Observation	Recommendation	Comments of the Accounting Officer
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In order to clearly identify the land buildings owned by	A survey of lands belonging to the	The process of identifying fixed assets clearly and valuing the assets at new

the Sabha, a fixed asset survey was conducted and the valuation was not documented. Sabha should be carried out and action should be taken to register it. market value.

3.4.2 Assets that have not been transferred

Audit Observation	Recommendation	Comments of the Accounting Officer
The amount of Rs. 6,221,373 worth of vehicle owned by another government agency had not been taken over.	The council should take over	Take over the possession of the donor WP ZB 0329 which was donated on 1 February 2019 to the Council.

3.4.3 Idle / Underutilized Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
No action has been taken to repair or suitable action tractor that has been out of running since June 2013.	A system should be devised to utilize the unused assets of the sabha.	The tractor bearing No. 37-9574 was received to the Sabha in 1991. it is a tractor that has been running for about 28 years. As it is in an suitable condition, it is to be disposed in the future as per Public Finance Circular No. 02/2015

3.4.3 Procurement

Procurement Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
During the year, no procurement plan was prepared for the year under review and Rs. 4,438,570 had been procured.	Prepare a procurement plan and act accordingly.	Although there is no procurement plan for the year under review, the procurement plan for the year 2019 has been prepared even though the office has purchased the essential items in the budget allocation for that year.

4. Accountability and good governance

4.1 Submission of Financial Statements

Audit Observation	Recommendation	Comments of the Accounting Officer
According to Rule 168 (1) of the 1988 (Financial and Administrative) Rules, the Annual Financial Statements should be submitted to the Auditor General before 31 March of the following year, but the Financial Statements for the year under review were submitted for audit on 14, May 2019.	Action should be taken to submit financial statements on due date.	The answer had not been submitted.

4.2 Budgetary control

Audit Observation	Recommendation	Comments of the Accounting Officer
The budget provided for the year under review Total expenditure was Rs. 4,048,500 The total of 10 subjects in total and total expenditure of Rs. 3,046,000 had not been utilized in the range of 50 to 88 per cent.	The budget should be used as a financial control mechanism.	Due to non-receipt of expected court fines and stamp duty income in the year 2018, it was unable to meet the expected costs and the proportionate amount of expenditure incurred

4.3 Internal Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
A plan for internal audit had been prepared, but the contents of it had not been adequately examined.	Internal audit should be done according to plan	The internal audit plan prepared for the year 2019 is in progress.

4.4 Audit and Management Committees

Audit Observation	Recommendation	Comments of the Accounting Officer
----- There was only one audit management meeting for the year under review.	----- Audit and Management Committee meetings should be conducted in accordance with the Circulars.	----- In accordance with the instructions of the Commissioner of Local Government on Establishment of Audit and Management Committees dated 1/18/2018 and 19.10.2018, the Audit and Management Committee has been held on 4th March 2018 and two committees have been held so far for the quarter of 2019.