

Galnewa Pradeshiya Sabha
Anuradhapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to the Audit on 17 February 2020. The summary report of the Auditor General relating to those financial statements, and the detailed management audit report had been submitted to the Chairman on 08 June 2020 and 04 September 2020 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph “Basis for qualified Opinion” of this report, the financial statements give a true and fair view of the financial position of the Galnewa Pradeshiya Sabha as at 31 December 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

(a) Accounting Deficiencies

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
(i) Billing of 436 water connections of Kandegama and Musnawahanagalgamuwa water projects amounting to Rs.1,357,478 had not been accounted for in the year under review. Further, the outstanding water connection charges of Rs.1,543,026 due from the above water projects as on 31 December of the year under review had not been accounted for.	Income and arrears of income related to the year should be correctly identified and accounted for.	Revenue and expenditure related to the water project has been recorded in a deposit account and the balance has been brought forward.
(ii) The loan of Rs. 3,461,000 obtained from the leaseholders of the Bulnewa weekly fair for converting that premises into stalls had not been disclosed in the financial statements, and out of that loan, Rs. 53,900 to be	The loans obtained by the Sabha and the income related to the year should be identified and properly accounted for.	Sums totalling Rs. 4,800,000 was obtained from 16 leaseholders of the weekly fair to convert the Bulnewa fair premises into stalls and Rs. 800,000 of which has

recovered annually as stall rent had been deducted from the accumulated fund account and shown.

been carried forward as stall deposits. A cost of Rs. 4,181,746 was incurred for the construction of shops in 2018 using the remaining amount.

(b) Accounts Receivable and payable

(i) Accounts Receivable

Audit Observation

Recommendation

Comment of the Accounting Officer

The receivable debtors balance of Rs.1,756,222 continued to exist for a period of 02 to 04 years had not been recovered.

Action should be taken to recover the arrears of income.

Not commented.

(ii) Accounts payable

Three payable account balances amounting to Rs. 1,634,728 continued to exist for a period of 02 to 35 years had not been settled.

Action should be taken to settle the payable balances.

Action will be taken to credit the lapsed deposits to the revenue.

(c) Lack of Necessary Documentary Evidence for Audit

Non-submission of Information

Audit Observation

Recommendation

Comment of the Accounting Officer

No credible evidence had been presented in respect of 03 items of accounts valued at Rs.293,733.

Evidence should be presented to substantiate the account balances shown in the financial statements.

Not commented.

1.4 Non-compliance

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

Reference to Laws, Rules, Regulations and Management Decisions -----	Non-compliance -----	Recommendation -----	Comment of the Accounting Officer -----
(a) Subsection 16 (2) of the National Audit Act No. 19 of 2018	The annual performance report had not been submitted.	Action should be taken as per the Subsection 16 (2) of the Audit Act No. 19 of 2018.	Not commented.
(b) The Motor Traffic Act Chapter 203 2 (1)	Two trailers costing Rs. 500,000, had been used without registration.	Necessary action should be taken for registration of unregistered vehicles.	Not commented.

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. 7,242,950 for the year ended 31 December 2019 as compared with the corresponding revenue in excess of the recurrent expenditure amounting to Rs. 7,360,892 for the preceding year.

2.2 Revenue Administration -----

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue, and Outstanding Revenue -----

Details on the Estimated Revenue, Billed Revenue, Collected Revenue, and Outstanding Revenue presented for the year under review and the preceding year are as follows.

Source of Revenue	2019				2018			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears at at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears at at 31 December
	Rs.	Rs	Rs	Rs	Rs	Rs	Rs	Rs
(i) Rates and Tax	2,104,200	2,297,020	2,385,270	897,300	2,090,000	2,299,870	2,290,370	985,550
(ii) Lease Rent	2,152,300	2,152,300	1,998,556	725,895	1,084,900	1,164,300	1,041,770	572,151
(iii) Licence Fees and Services	600,000	351,000	402,850	203,575	400,000	529,900	512,600	255,425
(iv) Other Income	8,709,390	12,603,020	11,753,514	10,494,090	8,135,000	10,451,375	7,000,000	9,644,584
	<u>13,565,890</u>	<u>17,403,340</u>	<u>16,540,190</u>	<u>12,320,860</u>	<u>11,709,900</u>	<u>14,445,445</u>	<u>10,844,740</u>	<u>11,457,710</u>

2.2.2 Rates and Taxes

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) According to Section 134 (i) of the Pradeshiya Sabha Act No. 15 of 1987, the developed areas in the jurisdiction of the Sabha had not been gazetted and rates had not been imposed.	The developed areas should be gazetted and action should be taken to collect the revenue from rates.	It has been instructed to prepare boundary schedules for declared the developed area and steps are being taken to impose the relevant rates expeditiously.
(b) Arrears of Garbage tax amounting to Rs.581,250 to be recovered as at 31 December of the year under review on 601 units had not been recovered.	Action should be taken to recover garbage tax.	Necessary arrangements have been made to recover the relevant garbage tax in arrears.

2.2.3 Lease Rent

Audit Observation	Recommendation	Comment of the Accounting Officer
The outstanding stall rent of 20 shop units in the Galnewa shopping complex amounting to Rs.298,078 had not been recovered as at 31 December of the year under review.	Action should be taken to recover the arrears of stall rents as per the Pradeshiya Sabha Act.	Not commented.

2.2.4 License Fess

Audit Observation

The outstanding business tax due on 112 business units amounting to Rs. 122,250 and license fee revenue of Rs. 93,400 due from 113 units as at 31 December of the year under review had not been collected.

Recommendation

Action should be taken to recover arrears of business taxes and license fees.

Comment of the Accounting Officer

Relevant license fees are being recovered.

2.2.5 Industrial Licenses

Audit Observation

As at 31 December of the year under review, arrears of industrial tax of Rs. 39,000 due from 28 industrial units over a period of 1 to 2 years had not been collected.

Recommendation

Action should be taken to recover the outstanding industry license fees.

Comment of the Accounting Officer

Arrangements have been properly made to recover the relevant industry taxes in arrears.

2.2.6 Tender Tax

Audit Observation

As at 31 December of the year under review, the outstanding tender tax due from 20 units from 2001 to 2018 amounting to Rs. 334,317 had not been recovered.

Recommendation

Action should be taken to recover the outstanding tender tax.

Comment of the Accounting Officer

Arrangements have been made to recover the relevant tender taxes in arrears.

2.2.7 Court Fines and Stamp Duty

Audit Observation

The court fine and the stamp duty due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2019 was Rs.10,129,240 and Rs. 364,850 respectively.

Recommendation

Action should be taken to recover the relevant funds from the Chief Secretary and other officials.

Comment of the Accounting Officer

A sum of Rs. 7,500,000 has been recovered from the relevant court fines. Although the value of the stamp duty has been requested from the Treasury, it has not yet been released.

3. Operating Review

3.1 Performance

Matters revealed in the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people in terms of Section 3 of the Pradeshiya Sabhas Act, are as follows.

(a) By-laws

Audit Observation

Recommendation

Comment of the Accounting Officer

Although by-laws should be enacted under Section 126 of the Pradeshiya Sabha Act to perform 28 key functions, by-laws had not been enacted on the relevant matters as at 31 December 2019.

According to the provisions of the Act, action should be taken to impose by-laws on matters without standard by-laws in relation to the 28 key functions.

The Sabha has adopted standard by-laws although it has not yet imposed by-laws .

(b) Action Plan

Audit Observation

Recommendation

Comment of the Accounting Officer

Sixteen sub-activities related to the activities proposed to be implemented in the Action Plan for the year under review had not been carried out.

Action should be taken to implement the matters included in the Action Plan within the year itself.

Sub-activities that had not been completed in relation to the Action Plan have been scheduled to be completed in the year 2020.

(c) Sustainable Development Goals

Audit Observation

Recommendation

Comment of the Accounting Officer

The Sabha had not taken action on the 2030 Agenda for the Sustainable Development Goals of the United Nations.

Sustainable development goals and objectives need to be set and implemented.

The 2020 Budget has made the allocations by arranging the activities based on the criteria for achieving the Sustainable Development Goals.

3.2 Assets Management

3.2.1 Non-acquisition of Assets

Audit Observation

Recommendation

Comment of the Accounting Officer

The Cab valued at Rs. 6,390,000 and the tractor bowser worth Rs.250,000 used by the Sabha had not been taken over.

Action should be taken to take over their ownership.

Not commented.

3.2.2 Idle and Underutilized Assets

Audit Observation

Recommendation

Comment of the Accounting Officer

A total of 36 items of machinery valued at Rs. 2,042,323 had been stored unused for many years.

Action should be taken to repair and reuse the usable assets and to disposed of other assets.

Not commented.

3.3 Identified Losses

Audit Observation

Recommendation

Comment of the Accounting Officer

Five hundred and ninety two (592) books worth Rs.55,588 had been misplaced from Galnewa and Negampaha public libraries.

Action should be taken to recover the value of the lost books.

Action should be taken to recover the loss in terms of the circulars.

04. Accountability and Good Governance

Internal Audit

Audit Observation

Recommendation

Comment of the Accounting Officer

Although an Internal Audit Officer had been appointed on 21 January 2019 in accordance with paragraph 06 of Circular No. 04/2015 dated 18 March 2015 of the Commissioner of Local Government, North Central Province, the reports for the year under review had not been issued.

Action should be taken in accordance with circulars.

Not commented.