

Galgamuwa Pradeshiyan Sabha

Kurunegala District

1. Financial Statements

1.1 Submission of Financial Statements

The financial statements for the year 2019 had been presented to audit on 01 April 2020 and the Summary Report of the Auditor General on those financial statements on 30 June 2020 and Detailed Management Audit Report on 22 July 2020 have been sent to the Chairman.

1.2 Qualified Opinion

In my opinion except for the impact of the facts described in the section of the basis for the qualified opinion of this report the financial statements give a true and fair view of the financial position of the Galgamuwa 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

	Audit Observation	Recommendation	Comments of the Accounting Officer
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(a)	The construction value of Medagama Pre-school amounted to Rs.1,296,326 and the value of Kudakathnoruwa Cemetery amounted Rs. 500,000 had not been brought to accounts.	Capital expenditure and all assets should be properly accounted for.	It is stated that since the payments of the construction of pre-school have been completed in the year 2020, it was not included.
(b)	Although the value of the stores of Solid Waste Center was Rs.993,222, it had been stated in the financial statements as Rs.700,000.	Actions should be taken to bring into accounts accurately.	It is stated that , since the payments have been made in the year 2020, that was not accounted for.

- (c) Although the stock as at 31 December 2019 was Rs.3,498,278, it had been stated in the financial statements as Rs.3,209,537. Actions should be taken to account for the accurate stock value. It is accepted that the total of the stock has changed in the accounts.
- (d) Although the Motor Grader debtor balance at the end of the year under review was Rs.5,299,976, it had been stated in the financial statements as Rs. 4,310,851. Actions should be taken to bring into accounts accurately. It is stated that the relevant amount for the debtor balance as indicated by the audit has been stated under Industrial Debtor.
- (e) Although the JCB debtor balance was Rs. 4,850,47831 as at 31 December 2019 as per the relevant register, it had been indicated in the financial statements as Rs.4,681,150 . Actions should be taken to update the documents and properly accounted for. Due to some charges not being recorded and omissions in the schedule pertaining to the JCB machine it is stated that it has been observed by the audit as an outstanding balance of Rs.4,850,478.
- (f) The key money which was not to be collected regarding 04 shops amounted to Rs.1,251,441 had been shown as arrears key money in the financial statements. Accounts should be corrected. It was unanimously decided to remove it from the register and referred it to the Commissioner under Proposal No. 5.18.10 of the Monthly General Assembly held on 05 May 2018 and since the approval has not yet been received there, it is still remaining in the register as an arrears.
- (g) Although the balance to be paid to the Local Credit Council Development Fund at the end of the year under review was Rs.12,145,788, it had been stated in the financial statements as Rs.12,830,133 . The accurate loan balance to be paid should be included in the financial statements. It is enclosed that the copies of the relevant balance sheet herewith.

- (h) 06 account items totalled to Rs. 7,848,275 could not be satisfactorily vouched during the audit due to non-submission of required information. Arrangements should be made to submit written evidence confirming the balances of accounts in the financial statements. It is accepted that the relevant documents could not be submitted due to the prevailing disaster situation.

1.4 Non-compliances

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

Instances of Non-compliances with Laws, Rules, Regulations and Management Decisions are as follows.

References to Laws, Rules, Regulations and Management Decisions	Non-compliances	Recommendation	Comment of the Accounting Officer
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(a) 1988 Pradeshiya Sabha (Financial and Administration) Rule 218	A survey on all lands and buildings owned by the Sabha had not been carried out.	Surveys on lands owned by the Sabha should be carried out in accordance with the Rules.	Actions will be taken to verify all lands and buildings in future.
(b) Public Administration Circular No. 30/2016 dated 29 December 2016	Internal repairs of the vehicles had not been carried out in accordance with the Circulars.	Arrangements should be made in accordance with the Circulars .	It is informed that the provisions of that circular could not be followed.

02. Financial Review

2.1 Financial Results

The income over the recurrent expenditure of the Sabha for the year ended 31 December 2019 was Rs. 14,757,425 and the corresponding income over the recurrent expenditure of the preceding year was Rs. 12,025,962 as per the financial statements presented.

2.2 Revenue Administration

2.2.1 Estimated Income, Actual Income and Arrears Income

The information on estimated income, billed income, collected income and arrears income submitted pertaining to the year under review and the preceding year are shown below.

Source of Income	Year 2019				Year 2018			
	Estimated Income	Billed Income	Collected Income	Total Arrears as at 31 December	Estimated Income	Billed Income	Collected Income	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
I. Rates and Taxes	4,531,635	4,412,832	4,114,592	1,226,515	4,328,400	4,522,716	4,643,676	929,139
II. Lease Rent	27,973,972	24,310,438	22,235,577	16,848,124	22,042,572	21,106,393	20,374,031	14,773,263
III. License fees	2,082,150	1,758,480	1,758,480	6,000	2,057,000	3,197,819	3,197,819	6,000
IV. Other Income	102,769,287	84,650,852	103,192,321	14,290,270	110,804,058	70,843,723	66,592,525	18,541,469
Total	137,357,044	115,132,602	131,300,970	32,370,909	139,232,030	99,670,651	94,808,051	34,249,871

Note

Arrears receipts regarding the preceding years were also included within the collected revenue value in 2018 and 2019.

2.2.2 Rates and Taxes

Audit Observation	Recommendation	Comment of the Accounting Officer
Actions had not been taken to charge rates carrying out of new valuation for 25 buildings constructed after assessing the properties in the year 2015.	Actions should be taken to charge assessing new constructions.	It is mentioned that charging of rates will be carried out by obtaining an immediate assessment from the Department of Valuation in future.

2.2.3 Lease Rents

	----- Audit Observation -----	----- Recommendation -----	----- Comment of the Accounting Officer -----
(a)	An arrears rent from property leases on annual tenders amounted to Rs.1,400,111 remaining prior to the year under review pertaining to 08 instances.	Actions should be taken to recover the rent as per the agreements.	It is kindly informed that the legal actions have been taken to recover this arrears.
(b)	There were prepayment balances which should be paid completely by March 2014 with regard to a sum of Rs.1,146,180 for 03 general market stalls, a sum of Rs. 1,896,833 for 03 shop owners who have to complete paying their dues by 10 July 2019, and Rs. 329,948 and Rs. 302,334 of two shopkeepers who have to complete paying by 28 November 2019 and 06 March 2020 respectively and Rs. 3,000 from a bus stand shop owner had remained receivable.	Actions should be taken to recover the arrears in accordance with the agreement .	It is informed that the actions will be taken in terms of the agreement for these sales stalls in future.

2.2.4 Other Revenues

	Audit Observation	Recommendation	Comment of the Accounting Officer
(a)	Out of the balance receivable on the hire of crushed roller as at 31 December 2019 the outstanding balance furthermore was Rs.1,196,714 as at 17 June 2020 .	Actions should be taken to recover the hire receivable.	It is stated that the actions will be taken to recover the arrears of Rs. 1,196,714 as well in future.
(b)	Out of the balance receivable on the hire of Grader Machine as at 31 December 2019 the outstanding balance receivable furthermore was Rs. 5,256,064 as at 17 June 2020 .	Actions should be taken to recover the hire receivable.	Out of the arrears, the direct arrears of Rs. 43,912 and a sum of Rs.999,375 from the Sabha industry arrears have been received by the end of the year under review.
(c)	Out of the balance receivable on the hire of JCB machines as at 31 December 2019 the outstanding balance receivable furthermore was Rs.4,811,402 as at 17 June 2020 .	Actions should be taken to recover the hire receivable.	Out of this, the direct arrears have been received by 31 May 2020.

03. Operating Review

3.1 Management Inefficiencies

Audit Observation	Recommendation	Comment of the Accounting Officer
The value of account balances payable as at 31 December of the year under review was Rs. 58,097,681 and actions had not been	Actions should be taken to settle the balances payable.	It is informed that the actions will be taken to pay and release the creditors and settle the balance remaining except for the security deposit.

taken to settle the balance totalled to Rs.23,004,756 of this, for an year and more than that.

3.2 Human Resources Management

(a) Employee Vacancies and Excesses

Audit Observation	Recommendation	Comment of the Accounting Officer
There were 13 vacancies in approved posts at the end of the year under review and 13 officers recruited under Public Administration Circular No. 25/2014 had been occupied without approval.	Actions should be taken to fill the essential vacancies and to approve the excess employee posts which have not been approved.	It is accepted that the information pointed out by the audit is true. It has been sent to the Department of Management Services for approval of existing posts under 25/2014.

(b) Payment of Acting Allowances

Audit Observation	Recommendation	Comment of the Accounting Officer
Although it is not entitled to an acting allowance since the initial salary scale of the Management Assistant Super Newman Grade relevant to the permanent post of the Acting Secretary of the Sabha has been exceeded in terms of Article 4 of the letter dated 13 February 2019 of the Secretary of the North Western Provincial Council Public Service Commission, an acting allowance of Rs.54,933 had been paid from February	Arrangements should be made to pay acting allowances as per the letter of appointment.	Since the Commissioner of Local Government has requested the Public Service Commission to grant an acting allowance as per the Establishments Code to resolve this issue, it will be requested from the relevant sections to take necessary steps to make payments as per the provisions of the Establishments Code.

2019 to November 2019 and an acting allowances of Rs.157,279 had been paid from the year 2016 prior to the new appointment letter.

3.3 Operational Inefficiencies

----- Audit Observation -----	----- Recommendation -----	----- Comment of the Accounting Officer -----
<p>(a) A small amount of money was being charged for the Galgamuwa bus stand shops for many years and actions had not been taken to assess the properties and charge a fee in terms of Section 4 of the Circular No. 2019/02 dated 10 January 2019 of the Commissioner of Local Government, North Western Province.</p>	<p>Actions should be taken to assess and charge.</p>	<p>Requests have been made to the Valuation Department since 2017 for the assessment.</p>
<p>(b) The 2017 assessment for the shops in the multi-purpose building owned by the Sabha had not been implemented and actions had not been taken to identify the accurate lessees and to be contracted formally in terms of Section 18 (I) of Circular No.2019/02 dated 10 January 2019 of the Commissioner of Local Government, North Western Province.</p>	<p>Actions should be taken to implement the assessment and enter into agreements in accordance with the circulars.</p>	<p>Since the leaseholders have made a written appeal when they call for the relevant agreement to be entered into, it has been made requests to the Valuation Department on 16 July 2018 for its amendment. Answers have not been received yet.</p>

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| <p>(c) A revenue of Rs. 743,925 had lost to the Sabha Fund by November 2019, on non-implementation of the assessment dated 14 February 2018 for pavement shops. A rent of Rs. 715 was being charged for these shops and two shops at an estimated value Rs. 7,500 and Rs. 8,000 had been sub-rented to Rs. 21,000 and Rs. 22,000 respectively.</p> | <p>Actions should be taken to implement the assessment and arrangements should be made in respect of sub-rents in accordance with the agreement.</p> | <p>Whilst awaiting for the recommendations of the Valuation Department on objections regarding pavement shops, although the permission was sought from the Commissioner of Local Government based on the reply to the letter seeking permission to implement the recommendations received with the approval of the Monthly General Assembly on 08 August 2019 and the assessment has been implemented again without any response, objections have come again.</p> |
| <p>(d) The Valuation Report of 2011 for public market shops had not been executed and a revenue of Rs.905,625 had lost by 30 November 2019 due to not-charging of rent as per the assessment dated 15 February 2018. Although the sub-rents was not possible in terms of the agreement, many lessees had acted not complying with it.</p> | <p>Assessment reports should be implemented and actions should be taken in terms of agreements on sub-leases.</p> | <p>Despite receiving objections to the stalls, the agreement has been entered into and implemented on the recommendation of the Local Government Commissioner on 20 September 2019.</p> |
| <p>(e) Although the sub-leasing cannot be carried out without the approval of the Sabha in terms of the agreement regarding the lease of bus stand shops, the shop had been sub-leased to other parties for a rent much higher than the monthly rent at the physical examination conducted on 28 November 2019 .</p> | <p>Actions should be taken in terms of agreements on sub-leases .</p> | <p>The lessee pays the rent properly and it is informed that no issues have arisen and will look into the matters pointed out by the audit.</p> |

3.4 Assets Management

3.4.1 Failure to Document Assets

Audit Observation	Recommendation	Comment of the Accounting Officer
<p>-----</p> <p>The value of lands of 03 cemeteries handed over to the Sabha by the Divisional Secretariat, 06 cemeteries handed over by the Mahaweli Development Authority and 08 playgrounds, lands owned by the Sabha and Ihalagama Water Project Land had not been assessed and stated under fixed assets.</p>	<p>-----</p> <p>Actions should be taken to assess and document the lands owned by the Sabha .</p>	<p>-----</p> <p>Information of all the lands have been sent to the Valuation Department for valuation and it is mentioned that once that information is received, action will be taken to include it in the list of fixed assets.</p>

3.4.2 Assets not Acquired

Audit Observation	Recommendation	Comment of the Accounting Officer
<p>-----</p> <p>Actions had not been taken to take over 02 vehicles being used by the Sabha and 93 cemeteries being maintained by the Sabha.</p>	<p>-----</p> <p>Actions should be taken to take over the vehicles and lands used by the Sabha.</p>	<p>-----</p> <p>It is informed that the acquisition of vehicles will be made in future and the acquisition of cemeteries is in progress.</p>

3.4.3 Idle and Underutilized Assets

Audit Observation	Recommendation	Comment of the Accounting Officer
<p>-----</p> <p>The three wheeler owned by the Sabha amounted to Rs.189,450 was in idle for about 5 years without any use.</p>	<p>-----</p> <p>Actions should be taken to repair or dispose of idle assets.</p>	<p>-----</p> <p>Relevant information for dispose has been submitted to the Department of Local Government.</p>