

Galle Municipal Council
Galle District

1. Financial Statement

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented for audit on 21 March 2018, and the report of the Auditor General on these financial statements was issued to the Council on 29 September 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 Galle Municipal Council 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 observations were made

- (a) A sum of Rs.1,453,130 recoverable for no-pay leave at the end of the year under review and the year end balance stock of Ayurvedic hospital amounting to Rs.295,919 had not been shown in Financial Statements.
- (b) Fixed Assets cost of Rs.312,621 disposed of as per Board of Survey of the previous year had not been deleted from fixed assets value.
- (c) 04 types of Assets received from various institutions as donations during the year under review and a photocopy machine valued at Rs.164,450 had not been brought to account.
- (d) No provisions had been provided for Rs.101,792,235 payable to the Dept. of Pension at the end of the year under review.
- (e) As industrial creditors' provisions of Rs.20,797,463 had been made for 33 industries for which no agreements signed during the year under review, capital outlay and Creditors during the year under review had been overstated by that amount..
- (f) When creditors provisions had not been made for Himbutuwatta road development project, Eththiligoda Rs.287,842 had been deducted from creditors treating it as a project cancelled.

- (g) With regard to a side ditch construction project of a part of Pahala Dixon road, Galle, over allocation for creditors provision had been Rs.1,026,460.
- (h) When the total sum of Rs.721,754 had been paid for a construction industry, creditors' provision had been made.
- (i) Business Tax revenue of Rs.2,886,100 and Entertainment Tax of Rs.381,409 had been over stated in accounts.
- (j) Quantity of drugs to the value of Rs.3,085,505 received as a donation from Ayurvedic Corporation had not been brought to Account.
- (k) Due to non-correction of over allocation of Rs.26,534,772 for industrial creditors during the year under review, creditors had been over stated in accounts by that amount.

1.3.2 Unreconciled Accounts

 Total of variance between balances of 05 items of accounts amounting to Rs.279,381,568 and balances shown in related documents had been Rs.10,120,162.

1.3.3 Suspense Accounts

 No action had been taken to identify and settle the balance of Suspense Account amounting to Rs.111,553 being brought forward since 2003 .

1.3.4 Accounts Receivable and Payable

(a) Accounts Receivable

 Action had not been taken during the year under review to recover 07 account balances totalling Rs.4,957,752 being brought forward over a period of 05 years.

(b) Accounts Payable

 Neither time analysis nor schedules had been prepared on various creditor balance of Rs.176,625,737 and with regard to store creditor balance of Rs.115,197,426 nor action taken to identify and settle those balance.

1.3.5 Lack of Written Evidence for Auditing

Non presentation of information for auditing

 It was not possible to verify 03 items of accounts totalling Rs.188,001,769 satisfactorily at the auditing due to non-submission of required information.

1.3.6 Non-Compliance with Laws, Rules, Regulations and Management Decisions

Instances relating to non-compliance with laws, rules, regulations and management decisions are given below;

Reference to laws, rules, regulations & management decisions	Value	Non-Compliance
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	Rs.	
(a) Municipal Ordinance No.16 of 1947		
Section 247(c)	-	Neither collected tax from non-developed lands located within the Municipal Authority Limits nor maintained a register on such lands.
(b) Financial Regulations of the Democratic of Sri Lanka		
(i) FR 102-110	-	Neither maintained a register on damages nor submitted relevant reports for auditing.
(ii) FR 755(2)	45,107,815	Physical stock in the store had neither been compared with inventory or Ledger balance nor submitted information sufficient enough to establish the stock balance in the financial statements at the year under review.
(iii) FR 1645 & 1646	13,085,269	Although a fuel expense of Rs.13,085,269 had been born during the year under review for 133 vehicles owned by the Sabha, daily running charts and monthly summaries had not been submitted for auditing.

- (c) (Finance) Circular - No action had been taken to obtain security from any officer in charge of funds and store of the Sabha.
of the Chief
Secretary
No.CSS/7/1/1/1
Dated 24 Feb. 2014

1.3.7 Transaction not established through sufficient Authority

Out of the Stock balance of Rs.85,306,803 available at the commencement of the year under review, Rs.45,615,140 had been deleted without approval of the Minister in terms of Section 266(a) of the Municipal Council Ordinance.

2. Financial Review

2.1 Financial Results

According to financial statements presented for auditing the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2017 amounted to Rs.198,808,270 as compared with the excess of the recurrent expenditure over revenue for the preceding year amounted to Rs.128,351,803.

2.2 Financial Administration

The following observations were made.

- (a) Action had not been taken even at the end of the year under review to settle debits of Rs.278,053 and credits of Rs.1,316,355 applicable to 02 current accounts being maintained by the Sabha while certain items had been remaining unsettled over a period of 15 years even at the end of the year under review.
- (b) Due to non-investment of average monthly balance of Rs.27,778,529 available in 04 current accounts of the Sabha in Securities in terms of Section 187 of the Municipal Council Ordinance, revenue recoverable to the council had been lost.
- (c) A saving of Rs.768,963 applicable to the period from 2015 to the end of the year under review to be credited to the Account opened in the name of the Sabha in terms of Planning Circular No.15 dated 18 November 1993 of the Urban Development Authority had been retained in the General Account without transferring the same to Deposit Account.

2.3 Revenue Administration

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

Information relating to estimated revenue, billed revenue, collected revenue and revenue in arrears presented in respect of the year under review and the preceding year are as follows;

Source s of Revenue	Estimated Revenue	Billed Revenue	Collected Revenue	Estimated Revenue	Billed Revenue	Collected Revenue	Estimated Revenue	Billed Revenue
Rates & Taxes	83,010,000	90,149,355	100,394,779	137,776,385	75,252,000	88,075,816	82,601,810	138,093,351
Lease Rent	80,292,000	33,403,743	43,777,996	28,588,585	122,465,000	26,779,527	65,895,857	20,534,897
Licence fee	33,004,000	14,663,088	40,214,605	11,537,062	24,614,500	10,270,361	25,003,030	6,047,154
Other Revenue	540,675,000	119,737,551	343,683,541	296,555,871	527,507,000	118,811,159	394,058,863	200,746,239
Total	736,981,000	257,953,737	528,070,921	474,457,903	749,838,500	243,936,863	567,559,560	365,421,641

2.3.2 Performance in Revenue Collection

Estimated Revenue of the year under review was Rs.736,981,000 while Billed Revenue had been Rs.257,953,737. Although the recoverable amount with initial arrears of Rs.365,421,641 had been Rs.623,375,378, the collected revenue during the year amounted to 528,070,921. Accordingly arrears of income at the end of the year was Rs.474,457,903.

2.3.3 Rates and Taxes

- (i) Out of the rates and taxes revenue recoverable during the year under review recoveries were 44 percent. However no action had been taken to recover revenue in arrears in terms of Section 252(a) & (b) of the Municipal Council Ordinance.
- (ii) Lists for the recovery of rates and taxes in arrears amounting to Rs.195,079,776 upto second quarter 2017 had been entrusted to 16 property forfeiting officers who had recovered a only a sum of Rs.19,186,570 as rates and tax collection and a commission of Rs.1,748,241 had been paid to those officers. The recovery of rates and taxes in arrears in the Division No.02 had been only 1.5 percent.

2.3.4 Lease Rent

Lease Rent in arrears at the end of the year under review had been Rs.28,588,585. In comparison with the initial balance it had been an increase by Rs.8,053,688. However no action had been taken by the Sabha to recover lease rent in arrears in terms of Section 170(a)(1). of the Municipal Council Ordinance.

2.3.5 Licence Fees

During the year under review billed revenue as against estimated revenue had taken less value of 44 percent. Balance of Licence Fees in arrears available at the beginning of the year under review had increased by Rs.5,489,908 at the end of the year. However action had not been taken to recover revenue in arrears in terms of Section 170(a)(1) of the Municipal Council Ordinance.

2.3.6 Other Revenue

In comparison to estimated revenue of the year under review and the preceding year, billed revenue had taken less value of 22 percent in respect of each year. Balance in arrears of other revenue at the beginning of the year which amounted to Rs.200,746,239 had been increased upto Rs.296,555,871 by Rs 95,809,632.

2.3.7 Court Fines and Stamp Fees

It was not possible to obtain information on court fins and stamp fes recovrable as at 31 Dcember 2017 from the Chief Secretary and other Authorities of the Provincial Council due to lack of sufficient documents.

3. Operating Review

3.1 Performance

Matters revealed in trhe fulfillment of activities which were to be performed by the Sabha with regard to streamlining and maintaining of public health, common utility services and public roads as well as satisfaction and welfare of the people under Section 4 of the Municipal Council Ordinance are as follows

(a) Action Plan

No Action Plan had been prepared in respect of the activities to be performed by the Sabha as per by-laws enacted.

(b) Not reaching anticipated output level

The following observations were made.

- (i) Health Inspectors had not implemented the programmes to be implemented in their respective areas which was not brought to the attention of the higher management.
- (ii) An Agreement had been signed on 02 January 2013 for a sum of Rs.2,055,000 for establishing geographical data system in respective area of authority. It had to be established and handed over to the Municipal Council on or before 02 July 2013. Although a sum of Rs.2,026,950 had been spent in excess of the agreed sum, no project completion even by August 2018 although 05 year had been passed.

(c) Delays in Performing Activities

Although an annual tax had to be levied from industries located in the area of authority under Section 247(b) of the Municipal Council Ordinance and on trading enterprises and professions under Section 247(c), no annual survey had been conducted to update relevant documents in this regard. Survey activities had not been completed even by the end of the year under review.

- (d) In leasing out of the MC Playground, Galle to Sri Lanka Cricket Board, No agreement was signed to this effect for the period between 20 April 2008 to 19 April 2018.

(e) Sustainable Development Targets

The Sabha had not prepared long-term plans for enhancing living standard and health of the people in the area of authority of the Sabha through global indicators for sustainable development goals and targets in the Agenda 2030 for sustainable development.

(f) Solid Waste Management

Decaying waste collected within the area of authority were dumped on to the Monrovia Watha Waste Yard, Rajgama and non-decaying waste on to the Heenpandala waste disposal ground. However no long-term plan had been prepared for waste management in terms of the Gazette Notification No.2015/53 dated 20.04.2017 and the letter of the Secretary Ministry of Provincial Councils and Local Government issued in May 2017.

3.2 Management Inefficiencies

The following inefficiencies were observed.

- (a) A sum of Rs.443,471 had been paid as Holiday Payments to 06 officers in the Urban Engineering Division based on call up diary entries of arrival/departure time during the year under review without sufficient confirmation of their arrival/departure times.
- (b) When the utilization of 07 JCB, Loader and Excavator machines owned by the Sabha was remained a minimum level, a JCB and a Excavator had been obtained on hiring basis spending Sabha fund of Rs.27,857,288 for services at waste dumping land, Keenpandala from 2013 upto the end of the year under review.
- (b) Although body building equipments worth Rs.1,325,630 had been made available to the body building centre established in Community Hall of Mohideenwatta, no inventory had been maintained. 150 hour overtime payment per month totalling Rs.148,222 for the year 2017 had been paid to Gully Bowsr Supervisor in his capacity as its Keeper. Neither the Service of Trained Supervisor had been obtained for the body building centre nor Register of list of names of its users were maintained. Membership fees of Rs.250 per person had been made available to Community Development Society while electricity and water bills had been settled by the Council Fund. Accounting details of the Centre had not been submitted to the Committee on Housing and Community Development.

3.3 Human Resources Management

The following observations were made;

- (a) Action had not been taken either to regularize the recruitment of 10 excess employees or to recruit employees to fill 145 vacancies.
- (b) No action had been taken to recover loan balances totalling Rs.1,191,804 given to 26 officers who served the Council.

3.4 Operating Inefficiencies

The following observations were made.

- (a) Community Development Unit of the Municipal Council did not have annual performance plan and even reports on activities undertaken by the council were not available. Further, identified deficiencies, proposed solutions or any of the corrective measures had not been recorded.
- (b) At the recovery of licence fee upto 1 percent from Tourist Board approved hotels, cafeteria and guest houses in terms of Section 247(a) of the Municipal Council

Ordinance, the identified number of Tourist Board approved hotels within the area of authority according to information available through Internet were 424. However the Municipal Council had recovered licence fees only from 14 units. No any action had been taken regarding a sum of Rs.1,325,883 recoverable from 02 hotels which were in the recoverable list. Licence fees recovered over a period of 08 preceding years had been 1 percent of receipts and it had been further reduced to 0.5 percent while the same had been gazetted again as 1 percent in 2018.

- (c) No Register had been maintained on auctioned lands with the area of authority. Therefore it was not possible to verify 1 percent auctioned land recovery and 10 percent land portion to be transferred to the council for provision of common amenities upon the extent of auctioned lands.

3.5 Assets Management

Utilization of Vehicles

Fuel documents and running chart books in respect of 133 vehicles owned by the Council had not been properly stored. All drivers attached for duties in pool vehicles shall maintain a driver hand book as per Gen.268 and 268(a) in terms of Section 06 of the Public Administration Circular No.30/2016 dated 29 December 2016 and drivers of assigned vehicles shall maintain a Public Administration Circular 13/2008 form. However no any such form had been submitted for audit.

3.6 Identified Lossess

When a total of Rs.5,585,673 deposited in respect of non sale tickets of previous matches recoverable as entertainmmt tax of the Sri Lanka England cricket series held from 23 – 30 March 2012 had been set off. This sum had been repayed to the Cricket Board on 21 September 2016. This could be identified as a loss caused to the Municipal Council Fund.

3.7 Procurement Plan

The Municipal Council had not prepared a procurement Plan on work, services or availability of goods and materials during the year under review.

4. Accountability and Good Governance

4.1 Budgetory Control

A considerable variance as indicated below was observed between budgetary and actual income/expenditure during the year under review. Therefore it was observed that the annual budget had not been adopted as effective financial management controlling mechanism.

- (a) There were savings belonged to 04 items of revenue totalling Rs.124,338,203, value of which ranged between 22 percent to 80 percent.
- (b) The targetted total of revenue not achieved in respect of 09 items of expenditure amounted to Rs.209,622,354 value of which ranged between 21 percent to 58 percent.

4.2 Internal Auditing

The following observations were made

- (a) The approved Internal Audit Plan for the year under review had not been prepared as per Circular No. දපපා/යහ/01/නවමලේ dated 24 February 2014 of the Local Government Commissioner (Southern Province)
- (b) Monthly and quarterly internal audit reports had not been submitted in keeping with approved intrnal audit plan. Only semi annual and annual reports had been submitted to the Management. However no corrective action had been taken on certain observations made thereon.

4.3 Implementation of Audit and Management Committees

Although Audit and Management Committee should be held as per provisions of the Management Audit Circular No.DMA/2009(I) dated 09 June 2009, only one such meeting had been held during the year under reviw.

5. Systems and Control

Shortcomings observed at auditing were brought to the notice of the Sabha from time to time and special aqttention shall be paid to the following fields of control.

System	Defect
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(a) Accounting and keeping up of documents	<ul style="list-style-type: none"> (i) Non-settlement of account balance being brought forward during a long period. (ii) Variance between account balance between Financial Statements and supportive documents (iii) Non availability of debtor/creditor registers or time analysis.
(b) Fised Assets	<ul style="list-style-type: none"> (i) Non maintenance of fixed asset register. (ii) Non correcting of variance between

documented stock and physical stock.

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| (५) Vehicle Control | (i) Non testing of fuel burnig of vehicles

(ii) Non submission of daily running charts of vehicles

(iii) Action had not been taken to dispose of condemned vehicles. |
| (६) Collection of Revenue | (i) Non recovery of revenue in arrears

(ii) Non billing of all revenues that could be billed. |
| (७) Staff Management | (i) Action had not been taken either to fill vacancies or to regularize excess staff.

(ii) Action had not been taken to recover staff loan balance in arrears. |
| (८) Budgetary Control | Action had neither been taken to follow up budget nor to amend the same. |