

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2017, had been presented to audit on 29 April 2018 and the Auditor General's Report on the financial statement had been sent to the Chairman on 28 June 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 gave a true and fair view of the financial position of the Galewela pradeshiya Sabha 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 matters were observed .

- a) The difference of Rs. 1,166,909 remained more than 14 years among total of fixed assets, balances of revenue contribution to capital outlay and grant contribution to capital outlay had been shown in the year under review too.
- b) The land belong to 82 cemeteries of the Sabha 116 Acers, 3 rude and 17 per chase in extent had not been assessed and taken into accounts.
- c) The total of 2 contract debtor balances amounting to Rs.1, 235,000 as at 31 December of the year under review had been omitted from the financial Statements.
- d) The total of 2 contract credit balances amounting to Rs.1, 388,160 as at 31 December of the year under review had been omitted from the financial Statements.
- e) A sum of Rs.252, 840 paid in the year under review to contractors as advance relating to 2 projects had been taken in to accounts as advance.
- f) Actions had not been taken to capitalize a sum of Rs.6, 309,885 incurred in 4 instances for building development activities of the Sabha during the year under review.
- g) Interest of Rs. 21,735,450 payable for coming years relating to the loan obtained from the Local Loan Development Fund had been taken in to accounts as current liabilities.

1.3.2 Unreconciled Accounts

A difference of Rs. 105,067,875 had been observed between the balances of 3 accounts items aggregating Rs. 297,735,088 shown in the financial statements and relevant subsidiary registers and records

1.3.3 Receivable and payable Accounts

Receivable Accounts

The value of 6 balances of receivable accounts aggregating Rs. 18,163,524 which had been brought forward in the financial statements without change had not been recovered even in the year under review.

1.3.4 Lack of Written Evidence for Audit

Seven items of accounts aggregating Rs. 345,045,896 could not be satisfactorily verified due to non-availability of necessary information.

1.3.5 Non - Compliances

Non- compliances with Laws Rules Regulations and Management Decisions

Instances of non-compliance with laws rules regulations and management decisions are given below

Reference to Laws, Rules, Regulations and management decisions	Non - Compliance
--	------------------

- | | |
|--|--|
| a) Pradeshiya Sabha Act No.15 of 1987 | |
| (i) Section 24 | Roads constructed newly after the year 2004 had not been gazette. |
| (ii) Section 123 | Actions had not been taken to approve by laws for hiring vehicles belong to the Sabha. |
| b) Financial Regulations 570 and 571 of the Democratic Socialist Republic of Sri Lanka | Actions had not been taken in respect of general deposits amounting to Rs.1, 423,173 exceeded 2 years. |

- c) Public Administration Circular No.EST-6/TRORT/05/3515 dated 29 December 2016 Fuel consumption had not been tested in 14 vehicles owned by the Sabha.
- d) Section 4 of the Circular of the Chief secretary Central Province No.CPC/CS/06/06/02 dated 11 April 2013 Guarantees had not been obtained from technical assistant, work superintendent, 4 drivers, store keeper, stores clerk and Shroff

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the revenue of the Sabha for the year ended 31 December 2017 in excess of the recurrent expenditure was Rs.13,022,288 whilst the corresponding revenue in excess of recurrent expenditure of the previous year was Rs.17,739,367.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Bill amount of Revenue, collected Revenue Actual Revenue and Outstanding Revenue

Details relating to the estimated revenue bill amount of revenue collected revenue and outstanding revenue presented for the year under review and the previous year are given below.

Source of Income	<u>2017</u>				<u>2016</u>			
	Estimated Revenue	Bill amount of Revenue	Collected Revenue	Total outstanding as at 31 December	Estimated Revenue	bill amount of Revenue	Collected Revenue	Total outstanding as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rate and Taxes	2,003,000	2,069,579	2,042,291	1,739,791	1,955,000	2,037,404	1,666,926	1,712,453
Rent	4,978,000	4,896,885	4,731,327	815,929	4,445,146	5,683,627	5,256,741	650,371
Licenses Fees	3,000,000	2,861,100	2,861,100	691,370	2,600,000	2,697,250	2,697,250	691,370
Other Revenue	19,850,000	18,684,473	4,816,042	14,425,506	19,300,000	25,923,993	6,961,526	19,069,192
	<u>29,831,000</u>	<u>28,512,037</u>	<u>14,450,760</u>	<u>17,672,596</u>	<u>28,300,146</u>	<u>36,342,274</u>	<u>16,582,443</u>	<u>22,123,386</u>

2.2.2 Performance of Collecting Revenue

The following observations are made

- a) Lease rent had not been revised once in 5 years.
- b) Recovering of rate tax in the jurisdiction of the Sabha was remained in a feeble level and outstanding balances of higher rate units had not been recovered.

2.2.3 Rates and Taxes

The following observations are made

- a) The outstanding balance of rate tax as at 31 December of the year under review was Rs.1, 650,829 and the bill amount of rate tax during the year under review was Rs.1, 903,676. Out of that, only a sum of Rs.1, 095,211 represents 57 per cent had been received relating to the year 2017.
- b) Buildings constructed on 475 applications approved from the year 2011 to November 2017 had not been assessed .Hence receivable tax had been lost to the Sabha.
- c) A sum of rs.129, 830 should be received as outstanding rate tax from the government institutions located in the jurisdiction of the Sabha.

2.2.4 Rent

The following observations are made

- a) Out of the total value of acreage tax, including the outstanding acreage tax of Rs.68,066 as at the beginning of the year under review with the bill amount of Rs.14,368 made during the year under review, a sum of Rs.356 represents 0.43 per cent had been recovered during the year under review.
- b) Actions had not been taken to recover the outstanding meat stall rent of Rs.528, 883 which had been brought forward within a period from 1 to 6 years.

2.2.5 License Fees

The following observations are made

- a) The outstanding trade license fees amounting to Rs.691, 370 which had been brought forward over a period of 5 years had not been recovered.
- b) The total income recovered had been taken in to accounts as the bill amount of income without being identified places which should be recovered trade license fees by a survey.
- c) Annual license fees had not been recovered from communication towers located in the jurisdiction of the Sabha.

2.2.6 Other Revenue

The following observations are made

a) Water Charges

The outstanding balance of water charges as at 31 December of the year under review was Rs.557,075 and a balances more than a period of 1 year amounting to Rs.556,020 had been included in the said balance.

b) Entertainment Tax

Outstanding entertainment tax of Rs.6, 946 brought forward more than a period of 10 years had not been recovered.

c) Three-wheel Stand Charges

A sum of Rs. 55,650 had not been recovered from 159 three-wheelers relating to 9 three-wheel stands for the year under review.

3. Operating Review

3.1 Performance

The following observations are made in respect of duties which should be fulfilled by the sabha relating to formulate and administrate public health, common utility services and common roads, people's cordiality, convenience and welfare as per the section 3 of the Pradeshiya Sabha Act.

a) Action Plan

An annual action plan had not been prepared by the Sabha relating to the activities fulfil by the Sabha as per the by laws enacted.

b) Abandoned Activities

The Sabha had entered into an agreement at Rs.600, 000 with the Gamisawiya Prajamandalaya of Galawela to construct a garage to park vehicles and a place for washing vehicles in the public playground premises owned by the Sabha. Dambulla regional irrigation engineer had informed that the area of the construction taken place was belonged to the lake security area thus the constructions of the building had been abandoned.

c) Solid Waste Management

The following observations are made.

- I. Daily collected garbage of 5 metric tons approximately in the jurisdiction of the Sabha had been disposed to a land located in Galewela Doracatiwala area and 2 drains 100 x 16 feet in extent for disposing garbage and a building 60 x 40 feet in extent for separating garbage had been constructed. However it was observed in the field examination that there were huge amount of polythene had mixed in compost removed from decayed garbage in 2 drains.
- II. Collected garbage had not been separated completely and put in to drain with polythene.as a result garbage had not decayed properly due to the dampness of drains.
- III. Drain No.2 had been located in a low area of the field and rain water had flowed cross the place thus it could not be used.
- IV. Attention had not been paid by the Sabha for appropriate methodology to put only decaying garbage to drains and to product quality compost and to recycle polythene.
- V. The road Development Authority had informed that the garbage recycling center had located in a place which had belonged to the track of the proposed Central Highway Project.

3.2 Management Inefficiencies

The following observations are made.

- a) Revision of lease rent and renewal of lease agreements had not been done since 15 years.
- b) A building belong to the Sabha had been rented out to the Bim Saviya office since 24 April 2013 without assessing and rent of Rs.200,000 had been recovered for the year under review as at 31 December 2017.
- c) Actions had not been taken to obtain revenue license for 2 vehicles and insurance certificate for 1 vehicle.
- d) Provisions for recovering liquidated damages from contracts which had not been completed on due date had not been included in agreements when entering in to agreements. As a result liquidated damages could not be recovered.

- e) Revenue registers had not been maintained up to date for miscellaneous revenue items.

3.3 Human Resource Management

The following observations are made.

- a) There were 21 vacancies of the staff of the Sabha as at 31 December of the year under review and out of that, 16 vacancies were in the secondary level.
- b) Some officers of the Sabha had deployed in the same place without obtaining transfers more than a period of 5 years.
- c) Staff loan aggregating Rs. 88,000 which should be recovered from 7 employees over a number of years had not been recovered even during the year under review.

3.4 Management Inefficiencies

Out of 33 building applications received during the year under review, approval had been given for 26 applications. However certificates for completion of contracts had been issued for 5 applications.

3.5 Transactions in Contentious Nature

Renting out a Building for the Kandurata Development Bank

The following observations are made.

- a) According to the Section 19 (1) and (xi) of the Pradeshiya sabha Act No.15 of 1987, without obtaining the approval of the line Minister, a building in the premises of the wholesale market belong to the Sabha had been rented out to the Kandurata Development Bank at Rs.38,000 per month since the year 2008 to the year 2036. Even though it had been mentioned in the agreement that the rent should be setoff for the constructions done by the Bank, any agreement had not been made with the Bank in respect of the cost incurred for the constructions done by the Bank.
- b) Although the monthly estimated rent informed by the Department of Valuation in the letter No.ME/RP/961 dated 08 December 2016 for the above mentioned building was Rs. 70,000, due to the fact that provisions had not been made in the lease agreement to revise monthly lease rental, the Kandurata Development Bank had not agreed to pay the relevant estimated rent.
- c) Non including of sections to revise lease rent in to the agreement was a disadvantage to the Sabha and as a result the computable loss occurred to the Sabha on the estimated rent of Rs. 70,000 until the year 2036 was Rs.12,801,000.

3.6 Asset Management

3.6.1 Assets not being transferred

Actions had not being taken to transfer the ownership to the Sabha in respect of two vehicles belong to the Sabha even up to the end of the year under review.

3.6.2 Idle and Underutilized Assets

The following observations are made.

- a) A galibouser and a Kubota hand tractor belonged to the Sabha valued at Rs. 3,000,000 and Rs.79, 000 respectively had been parked in the Sabha premises without being used.
- b) A van belong to the Sabha had been removed from running after April 2017 and a sum of Rs.101, 751 had been incurred for repairing and maintenance.
- c) Goods valued at Rs.199, 095 purchased during the year 2015 for construction of new garage under the programme for Strengthen Pradeshiya Sabha had been heaped in the stores without being used.

3.7 Irregular Transactions

According to the estimate of the Valuation Department in the year 2007, estimation of the stall No. 15 of new building of the Galewela Market Complex belong to the Pradeshiya Sabha was Rs.6, 750.However on a council decision dated 30 September 2013, it had been entered in to agreements from 2 December 2013 as monthly rental as Rs.3, 500 thus rent income of Rs.159,250 had been lost to the Sabha as at December of the year under review.

3.8 Identified Losses

Due to the revenue license not being obtained within due period of time, a sum of Rs. 9,175 had been paid as fines.

3.9 Apparent Irregularities

It was revealed that a sum of Rs.62, 951 received from sale of old newspapers purchased since the year 2012 after using in 6 libraries of the Sabha had been used to settle cancelled chques, shortages of stock and old outstanding loan balances without being credited to the Sabha Fund.

3.10 Procurement

3.10.1 Procurement Plan

According to 4.2.1 of the Procurement Guide Line 2006, without preparing procurement plan, purchasing of Rs.440, 293 had been made during the year 2017 by the Sabha.

3.10.2 Contract administration

- a) The following observations were made in connection with renovations made to the Makulugaswawa fair building which had been assigned to a private contractor and completed constructions at Rs.2, 153,547 under the Capital Programme for improvement of infrastructure facilities of the Local Government Institutions.

- I. Although a sum of Rs.136, 836 had been paid to concrete 161 square feet, the floor laid concrete was thud.
- II. Overpayment had been made for the following item of work.

<u>work Item No.</u>	<u>Description</u>	<u>Amount Payable</u> Rs.	<u>Amount Paid</u> Rs.	<u>overpayment</u> Rs.
14	Construction of roof	562,328	594,663	32,335
15	Fixing asbestos	54,054	60,329	6,275
13	Fixing angular iron for beams and gable	234,773	240,318	5,545
16	Fixing valances	133,673	135,218	1,545

- b) In the physical verification carried out in the year 2017, in respect of the construction of the day and night volleyball playground of Diwulgaskotuwa which had been assigned construction to the Singha Prajamandalaya at a sum of Rs.980,000 under the Special Provision Programme of the Ministry of Economic Development it was observed that, destroyed the covering net of the playground, paint not being applied properly on GI pipes fixed, end cap not being fixed to avoid entering water and the playground not being currently used.

4. Accountability and Good Governness

4.1 Budgetary Control

Even after transferring provisions between the heads of revenue and expenditure in the year under review, considerable variations were observed between the budgeted and the actual revenue and expenditure thus observing that the budget had not been made use of as an effective instrument of control. The following observations are made in this regard.

- a) Estimated revenue of Rs. 507,000 relating to 6 revenue items had not been recovered.
- b) Adverse variation between the estimated revenue and the actual revenue relating to 54 revenue items was in a range of 5 per cent to 200 per cent.
- c) Any expense had not been incurred out of the provision of Rs.4,231,000 made for 52 expenditure items.

4.2 Internal Audit

Although an officer had been appointed to carry out internal audit activities during the year under review, internal audit activities had not been carried out sufficiently and internal audit reports had not been furnished to audit.

4.3 Audit and Management Committees

Although 04 audit and Management committees should be held according to the letter of the Secretary to the Chief Minister of Central Province No.CPC/CMS/1/06/ dated 01 August 2014, only 2 turns of committees had been held for the year 2017 and only one turn of committee had been held for the year 2016.

5. Systems and Controls

Deficiencies observed in the course of audit were brought to the notice of the Sabha from time to time and Special attention is needed in respect of the following areas of control.

System	Deficiency
a) Asset Administration	I. Fixed asset register not being maintained up to the date. II. Proper actions not being taken for the security of assets and maintenance.
b) Vehicle Administration	I. Actions not being taken to maintained running charts of vehicles up to the date. II. Actions not being taken to test the fuel consumption of vehicles. III. Proper actions not being taken for vehicles removed from running. IV. Actions not being taken to transfer the ownership of some vehicles to the Sabha.
c) Control of Debtors and Creditors	Actions not being taken to settle debtor balances remained over a long period of time.
d) Human Resources Management	Actions not being taken to fill the vacancies of staff of secondary and tertiary grade.
e) Revenue Administration	I. The amount of outstanding revenue being increased rapidly due to the weaknesses of the progress of the collection of revenue. II. Proper revenue registers not being maintained in respect of collection of revenue. III. Actions not being taken to increase the revenue by assessing properties timely.