

Galle Municipal Council
Galle District

1. Financial Statements

1.1 Presentation of Financial Statements

While Financial Statements for the year 2018 had been presented to audit on 28 February 2019, the summary report of the Auditor General relating to those financial statements on 31 May 2019 and detailed management report on 14 June 2019 was sent to the Mayor.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the part, basis for qualified opinion in my report, the financial statements give a true and fair view of the financial position of the Galle Municipal Council as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for the qualified opinion

(a) Accounting Deficiencies

	Audit Observation	Recommendation	Comments of the Accounting Officer
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(i)	Capital Expenditure of the year under review had been under sated in a sum of Rs. 6,164,842.	Should be correctly accounted.	Action will be taken to correct in preparing accounts for the year 2019.
(ii)	A sum of Rs. 1,049,977 to be credited to savings account as per agreement entered into, with the Urban Development Authority had been accounted as an income of the year.	Should be correctly accounted.	Action will be taken to correct in preparing accounts for the year 2019.
(iii)	Ayurvedic Stock balance amounting to Rs. 528,308 as at 31 December of the year under review had not been accounted	Stock at the end of the year should be accounted.	Action will be taken to correct in preparing accounts for the year 2019.

(iv)	A sum of Rs. 331,625 had been overpaid in paying the installments of the Local Loans Development Fund.	Stock at the end of the year should be accounted.	Action will be taken to correct in preparing accounts for the year 2019.
(v)	The loan of Rs. 2,074,972 obtained to purchase a gully browser during the year 2002 and the loan of Rs. 641,526 obtained for the construction of a public latrine during the year 2005 from the Local Loans Development Fund had not been accounted.	Loan amounts should be accounted.	Action will be taken to correct in preparing accounts for the year 2019.
(vi)	A provision for audit fees in respect of the year under review had not been made in the financial statements.	Audit Fees should be accounted.	Action will be taken to correct in preparing accounts for the year 2019.
(vii)	A sum of Rs. 393,791 had been overstated in respect of receipt of leasing out 45 lottery booths for the year. Due to this, lottery booths income receivable had been understated.	Should be correctly accounted.	Action will be taken to correct in preparing accounts for the year 2019.
(viii)	Office Space and Municipal Council Canteen Revenue had been under billed in a sum of Rs. 262,610	Should be correctly accounted.	Action will be taken to correct in preparing accounts for the year 2019.
(ix)	Provision had not been made for a sum of Rs. 103,673,560 payable to the Pension Contribution Fund at the end of the year under review.	Should be correctly accounted.	Action will be taken to correct in preparing accounts for the year 2019.

(b) Non-reconciled Accounts

----- Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
There was a difference of Rs. 9,173,110 between the balances relevant	Differences in the relevant accounts should be	Action will be taken to correct in due

to 06 items of accounts shown in the financial statements as at 31 December of the year under review and the balances in the schedules relevant to those.

reconciled and action should be taken to correct the accounts

course as this is a discrepancy existing for a long period.

(c) **Suspense Account**

Audit Observation

Action had not been taken during the year under review as well, to clear the debit balance of Rs.111,553 appearing since the year 2003.

Recommendation

Action should be taken to clear the suspense account.

Comments of the Accounting Officer

Will be cleared in due course.

(d) **Accounts Receivable**

Audit Observation

Necessary steps had not been taken to recover six account balances totaling Rs. 49,396, existing over a period of more than 05 years as at the end of the year under review.

Recommendation

Balances Receivable should be recovered soon.

Comments of the Accounting Officer

Will be corrected in due course.

(e) **Lack of Evidence for Audit**

Audit Observation

Fourteen items of accounts totaling Rs. 3,091,777,767 could not be satisfactorily examined due to non-remission of required information.

Recommendation

Registers should be updated and properly maintained.

Comments of the Accounting Officer

Action will be taken to correct the registers in due course.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2018 amounted to Rs.178,438,560 as compared

with corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 198,808,270.

2.2 Financial Control

	Audit Observation	Recommendation	Comments of the Accounting Officer
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(a)	Action had not been taken to settle 13 dishonored cheques amounting to Rs. 192,088 existing since 2 years. Information relevant to dishonored cheques amounting to Rs. 55,474 was not available in the Council as well.	Action should be taken to ascertain information and to settle.	Will be corrected in due course.
(b)	Although the balance as at the end of the year under review relevant to the General Account, according to the cash book was Rs. 2,836,395, according to the bank reconciliation, balance as per cash book had been Rs. 1,973,292, and accordingly there was a difference of Rs. 4,809,687.	Action should be taken to ascertain reasons and to settle.	Will be corrected in due course.

3.2 Revenue Administration

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

Estimated Revenue, Billed Revenue, Revenue Collected and Arrears of Revenue as at 31 December for the year under review and the preceding year as furnished are shown below.

Source of Revenue	2018				2017			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total Arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	111,510,000	106,365,583	105,113,546	142,355,829	83,010,000	90,149,355	100,394,779	137,776,385
Reent	105,582,275	48,236,132	42,975,003	26,184,809	80,292,000	33,403,743	43,777,996	28,588,585
License Fees	42,104,000	37,150,353	36,326,845	9,468,570	33,004,000	14,663,088	40,214,605	11,537,062
Other Revenue	158,007,000	170,068,921	84,220,934	8,237,753	540,675,000	119,737,551	343,683,541	296,555,871
	417,203,275	361,820,989	268,636,328	186,246,961	736,981,000	257,953,737	528,070,921	474,457,903

2.3.2 Performance in Revenue Collecton

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Although the overall revenue to be collected during the year under review was Rs.836,278,892, revenue collected was Rs.268,636,328 and therefore the progress in revenue collection had been 32 percent.	Arrears of revenue should be ecovered soon.	Action will be taken to recover arrears of revenue soon in due coursee.
(b) Although a sum of Rs.306,700 had been billed as Ground Tax and Yield Tax for the year under review from 06 properties belong to the Council, any amount had not been recovered during the year under review and accordigly, there was an arears balance of Rs. 1,173,046 relevantt to those properties. Action had not been taken in terms of Section 21 of the Municipal Councils Ordinance with regard to recovery of amounts in arrears.	Arrears of revenue should be ecovered soon.	Action will be taken to recover arrears of revenue soon in due coursee.

2.3.3 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Although Rates Billings for the year under review was Rs.86,423,624, revenue received had been Rs. 48,219,320. Accordingly, revenue not recovered out of annual billings had taken a high value of Rs.38,204,304 or 44 percent.	Action should be taken to recover arrears of revenue soon.	While Red Notices have been issued, action will be taken soon to recover arrears of revenue.
(b) Out of the balance of Rates in arrears amounting to Rs. 123,707,545 at the end of the preceding year, a sum of	Action should be taken to recover arrears of revenue soon.	Action will be taken soon to recover arrears of revenue.

Rs.31,834,101 only had been recovered during the year under review. A further sum of Rs.91,873,545 was in arrears at the end of the year under review. Recoveries out of opening balance of arrears, recoveries had taken low percentage such as 26 percent

2.3.4 Rent Income

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
<p>(a) While there was a balance of rent in arrears amounting to Rs.26,184,809 at the end of the year under review, action in terms of Section 170 (a) (1) of the Municipal Council Ordinance had not been taken to recover it.</p>	<p>Legal action should be taken to recover arrear of revenue.</p>	<p>Action will be taken to recover arrears of revenue in due course.</p>
<p>(b) Lease of Stalls ----- Although a lease amount of Rs.5,186,918 was in arrears from 179 stalls, as at 31 December 2018, legal action had not been taken to recover arrears.</p>	<p>Action should be taken to recover arrears of revenue.</p>	<p>Arrears of revenue will be recovered in due course.</p>

2.3.5 License Fees

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
<p>Action in terms of Section 170 (a) (10) of the Municipal Councils Ordinance had not been taken with regard to arrears of revenue amounting to Rs. 9,468,570 as at the end of the year under review.</p>	<p>Action should be taken to recover arrears of revenue.</p>	

2.3.6 Other Revenue

Audit Observation	Recommendation	Comments of the Accounting Officer
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Although the revenue to be collected during the year under review was Rs. 466,624,792, revenue collected had been Rs. 84,220,934 or had taken a low value such as 18 percent.	Action should be taken to recover arrears of revenue.	Arrears of revenue will be recovered in due course.

3.1 Performance

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public thoroughfares, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Council under Section 4 of the Municipal Councils Ordinance are shown below.

(a) Action Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
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An Action Plan had not been prepared for activities to be fulfilled by the Council according to the by-laws imposed.	An Annual Action Plan should be prepared.	Action will be taken to prepare an Action Plan in due course.

(b) Non-achievement of Expected Output Level

Audit Observation	Recommendation	Comments of the Accounting Officer
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In terms of the agreement entered into, for establishment of a geographical information system of the area of authority of the , that project should have been finalized on or before 02 July 2013. However, the works had not been finalized even as at 31 December 2018. Nevertheless, a sum of Rs. 2,026,950 had been spent in addition to the agreed sum.	Project should be finalized soon and utilize for the Council's activities.	Obtaining data is being done.

(c) Non-achievement of expected outcome

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>It is possible to deposit the covering approval fees recovered for building plans in terms of agreements of the Urban Development Authority in a savings account belongs to the Municipal Council and utilize for development of the area. However, the balance of Rs. 5,830,583 in the savings account remained unutilized for development works.</p>	<p>Relevant amounts should be utilized for development works.</p>	<p>Will be utilized in due course.</p>

(d) Delays in fulfilling activities

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>Although a sum of Rs. 8,855,676 should be paid as mobilization advance a sum of Rs. 6,273,956 had been overpaid due to payment of Rs. 15,129,632 inclusive of vat.</p>	<p>Action should be taken to settle the overpaid advance.</p>	<p>Not replied.</p>
<p>The concrete samples inspected on 11 February 2018 were not up to the standard.</p>	<p>Item of work should be corrected and project should be finalized soon.</p>	<p>Not replied.</p>
<p>According to the professional report obtained from the Engineering Faculty of Ruhunu University, wires of the concrete posts got rusted had not been reinforced.</p>	<p>Should be corrected.</p>	<p>Not replied.</p>
<p>Concrete posts and deck of the veranda had been ruptured. Professional recommendations should have been obtained with regard to structural suitability and strength before commencement.</p>	<p>Professional recommendations should be obtained.</p>	<p>Not replied.</p>

Revenue for the last two months of the year 2018 had been lost due to the delay in construction

Action should be taken to finalize the project and to increase revenue.

(e) Solid Wastes Management

Audit Observation

Recommendation

Comments of the Accounting Officer

The Council had not taken any action with regard to solid wastes management in terms of the Gazette Notification No. 2015/53 dated 20 April 2017 and as per guidelines furnished in letter signed by the Secretary to the Ministry of Provincial Councils and Local Government in June 2017.

Action should be taken as per relevant guidelines and should follow-up.

Action will be taken with regard to this in due course.

(f) Sustainable Development Goals

Audit Observation
Agenda for

Recommendation

Comments of the Accounting Office

The Council had not prepared long term plans for uplifting living condition and health of the people in the area of authority through global indexes for sustainable development objectives and goals in the Agenda for Sustainable Development 2030.

Long term plans for sustainable development should be prepared and peoples' living condition should be uplifted.

Not replied.

3.5 Operating Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) Leasing out the Play Ground</p> <p>-----</p> <p>An agreement had not been entered into in leasing out the Galle Municipal Council Play Ground to Sri Lanka Cricket Board for the period from 20 April 2008 to 19 April 2018.</p>	<p>Should enter into agreement.</p>	<p>Agreement will be entered into in due course.</p>
<p>(b) Fire brigade Unit</p> <p>-----</p> <p>A sum of Rs. 398,267 receivable for fire brigade services remained unrecovered for more than 05 years as at the end of the year under review. While action had not been to prepare a service minute relevant to Fire Brigade Unit during last 20 years, a roster suitable for that too had not been prepared.</p>	<p>Action should be taken to recover arrears amounts and to prepare a service minute relevant to that unit.</p>	<p>Action will be taken to introduce a new service minute during the year 2019.</p>
<p>(c) Leasing out Properties</p> <p>-----</p> <p>While action had not been taken to lease out 05 leasing properties belong to the Council, revenue to be derived through that had been lost. Action too had not been taken to recover a total sum of Rs. 2,556,143 receivable as at the end of the year under review for leasing during past years.</p>	<p>Arrears amounts should be recovered and properties that could be given on lease should be leased out.</p>	<p>Action will be taken in due course.</p>
<p>(d) Official Quarters</p> <p>-----</p> <p>While there were 21 official quarters according to registers of the Council, 03 official quarters were in a condition to be repaired. Three official quarters had been demolished and removed. Eight official quarters</p>	<p>Official quarters should be repaired and utilized for expected purpose.</p>	<p>Action will be taken to maintain a register and correct in due course.</p>

had not been utilized for expected purpose as 02 official quarters were utilized for trading booths and one official quarter as a day care Centre.

3.3 Human Resources Management

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer. -----
(a) Action had not been taken to regularize 113 surplus employees recruited by the Council and to recruit employees properly for 123 vacancies.	Action should be taken to make recruitment for vacancies to regularize the surplus employees.	Will be corrected in due course.
(b) Loans amounting to Rs. 1,775,753 outstanding as at the end of the year under review due from 33 employees who had let on transfers, deceased and interdicted had not been recovered even during the year under review.	Loan balances in arrears should be recovered.	Letters have been sent. Action will be taken to recover in due course.

3.4 Assets Management

3.4.1 Non-documentation of Assets

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
According to financial statements as at the end of the year under review, there were assets amounting to Rs. 399,443,462 and stores stocks balances amounting to Rs.66,474,278. Nevertheless, assets registers and stock registers had not been updated.	Assets and Stock Registers should be updated.	Will be corrected in due course.

3.4.2 Idle and Underutilized Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
----- At the physical examination it was observed that a vehicle in the fire extinguish unit was defective and in defunct condition. Vehicles in the fire extinguish units should be in condition so as to start promptly. However, the Council had not paid attention with regard to periodical inspection and ensure operation effective operational condition.	----- Should be inspected within the specified periods to identify mechanical defects and repairs should be carried out accordingly..	----- Will be corrected in due course.

3.5 Improper Transactions

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Payment of 50 percent to relevant employees out of fees recovered in issuing fire extinguish certificates outside Municipal Council limits and payment to training offices out of 2/3 of the fees for training fire brigades had been made.	----- There should be a formal authority for payment of allowances.	----- Payments are made according to decisions of the Council.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Recommendation	Comments of the Accounting Officer --
----- While the total of 03 items of revenue failed in reaching the revenue targets amounted to Rs. 160,558,967, those values were in range from 29 percent to 82 percent.	----- Realistic estimates should be prepared.	----- Attention will be made in this regard in the ensuing year

4.2 Internal Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
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Carrying out internal audit, issuing of audit reports and introducing internal control systems had not been made as per Circular No. SLG/G/01/NC dated 24 February 2014 of the Commissioner of Local Government (Southern Province).	Should introduce internal control systems and an adequate internal audit should be carried out.	Action will be taken to carry out an internal audit and to send reports in due course.