

Rajgama Pradeshiya Sabha
Galle District

1. Financial statements

1.1. Presentation of Financial Statements

The Financial Statement for the year 2018 had been submitted for audit on 29 March 2019 and the summary report of the Auditor General on 30 May 2019 and the detailed report on 13 June 2019 had been sent to the Chairman of the Council.

1.2. Qualified Opinion

In my opinion except for the effect on the matters described in the Section of the basis for qualified audit opinion of this report, Financial Statements give a true and fair view of the financial position of the Rajgama Pradeshiya Sabha 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 qualified opinion

(a) Accounting deficiencies

Audit Observations -----	Recommendations -----	Comments of the accounting officer -----
(i) There was a difference of Rs.3,401,225 in the value of assets in the Financial Statements and the balance of the Contributions to Capital Outlay as at 31 December of the year under review.	Action should be taken to account the correct amount.	Action will be taken to correct during the preparation of accounts in the year 2019.
(ii) Action had not been taken to valued and shown in financial statements the values of 26 Land and Buildings, 02 Tractors and 02 Trailers as of 31 December of the year under review.	Action should be taken to value the assets belonging to the council and account them.	Action will be taken to correct during the preparation of accounts in the year 2019.
(iii) The crematorium valuing Rs.5,760,007 belonging to the Hikkaduwa Urban Council had been accounted as Fixed Assets in the Financial Statements.	Action should be taken to remove.	Action will be taken to correct during the preparation of

accounts in the year 2019.

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| (iv) | An amount of Rs.62,499 spent for the build of the security room of the office had not been capitalized | Action should be taken to account properly. | Action will be taken to correct during the preparation of accounts in the year 2019. |
| (v) | 4,044 Books valuing at Rs.826,776 in the Mobile Library had not been stated in the Financial Statements. | Action should be taken to account properly. | Action will be taken to correct during the preparation of accounts in the year 2019. |
| (vi) | Credit provisions for the development of the road from Hagoda to Mudaligoda had been overstated by an amount of Rs.798,582 in the accounts | Action should be taken to account properly. | Action will be taken to correct during the preparation of accounts in the year 2019. |
| (vii) | Credit provisions had not been provided for the contributions for the Pension of the Local Government Fund amounting to Rs.13,893,213 even up to 31 December of the year under review. | Provision should be done. | Action will be taken to correct during the preparation of accounts in the year 2019. |

(b) Unreconciled accounts

Audit Observations

Recommendations

Comments of the accounting officer

There was a difference of Rs.1,124,802 in 04 accounting subjects in between the supplementary registers and the balances of the financial Statements even up to 31 December of the year under review.

Action should be taken to correct the accounts after comparing the difference between the balances.

Action will be taken to correct the differences since the differences had been due since a long time.

(c)	Suspense Accounts -----		
	Audit Observations -----	Recommendations -----	Comments of the accounting officer -----
	Action had not been taken to settle debt balances amounting to Rs.288,833 of the suspense account due from 2008	Action should be taken to settle the Account balances.	Action will be taken to correct in future.
(d)	Receivable and Payable Accounts. -----		
	Audit Observations -----	Recommendations -----	Comments of the accounting officer -----
(i)	Receivable Accounts -----		
	Action had not been taken to identify and collect 05 receivable balances due from 07 to 17 years in the Financial Statements totaling to Rs.10,633,868 even up to 31 December of the year under review.	Action should be taken to collect the receivable balances.	Action will be taken to correct in the future.
(ii)	Payable Accounts. -----		
	Action had not been taken to identify and pay 04 unchanged balances bought forward from 12 to 17 years in the Financial Statements totaling to Rs.1,201,260 even up to 31 December of the year under review.	Action should be taken to settle payable balances	Action will be taken to correct in future.
(e)	Lack of Documentary Evidence for Audit. -----		
	Audit Observations -----	Recommendations -----	Comments of the accounting officer -----
	Due to the lack of necessary information, 10 Accounting items totaling to Rs.263,814,610 could not be satisfactorily vouched in audit.	Action should be taken to put submit necessary evidence to verify the balances of the Financial Statements.	Action will be taken to correct in future.

1.4 Non-Compliance

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

References to Laws, Rules, Regulations and Management Decisions	Value Rs.	Non-compliance	Recommendation	Comments of the accounting officer
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka				
(i) F. R. 156	25,222	Action had not been taken to collect the surcharge imposed from the relevant parties in the preceding year to be paid since the contribution had not been made for the Employees Trust Fund on due dates.	Action should be taken as according to the Financial Regulations.	Action will be taken to correct in the future.
(ii) F. R. 570 and 571(1)(2)	923,928	Action had not been taken as according to the referred Regulations for 50 expired General deposit balances.	Action should be taken as according to the Financial Regulations.	Action will be taken to correct in the future.

2. Financial Review

2.1. Financial Results

According to the Financial Statements presented, the surplus of revenue over recurrent expenditure of the Council for the year ended 31 December 2018 amounted to Rs.16,134,492 as compared to surplus of revenue over recurrent expenditure of the preceding year amounted to Rs.18,611,431.

2.2. Revenue Administration

2.2.1. Estimated Income, Billed Income, Collected Income, and Arrears of Income

The details about the estimated income, billed income, collected income and arrears of income for the year under review and the preceding year is stated below.

Source of Income	Estimated Income	2017			2016			
		Billed Income	Collected Income	Arrears as at 31 December	Estimated Income	Billed Income	Collected Income	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
i. Assessment and Tax	1,831,000	1,161,836	884,608	6,526,942	1,378,294	1,235,812	1,601,703	6,254,864
ii. Rent	1,602,500	105,600	116,620	658,034	1,395,677	105,600	110,590	669,054
iii. Permit Charges	910,500	632,354	632,354	81,622	666,784	675,587	675,587	81,622
iv. Miscellaneous income	4,344,000	1,899,790	1,633,582	7,266,598	3,440,755	2,016,999	2,387,880	7,005,540

2.2.2. Performance in Revenue Collection

Audit Observations

The total arrears of income as at 01 January of the year under review amounted to Rs.7,005,540 while the billed income of the year was Rs.1,899,790. As such the total income to be collected within the year amounted to Rs.8,905,330 yet the total collections of the year amounted to Rs.1,633,582 and as such the performance of revenue collection was 18 per cent.

Recommendations

Action should be taken to collect the arrears of income.

Comments of the accounting officer

Action will be taken to collect the arrears of income in the future.

2.2.3. Assessment and Tax

Audit Observations

- (a) An amount of Rs.7,416,700 had been collected from an amount of Rs.884,608 of Assessment Tax income and as such the income was as low as 12 per cent.

Recommendations

Action should be taken to collect the arrears of income.

Comments of the accounting officer

Action will be taken to collect the arrears of income immediately in future.

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| (b) | Action had not been taken even up to the year under review regarding the Assessment tax amounting to Rs.8,850,610 bought foreword before the year 2006 and as such there was a deficit balance of Assessment Tax. | Action should be taken to collect the arrears of income. | Action will be taken to collect the arrears of income in future. |
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2.2.4. Rent income

----- Audit Observations -----	----- Recommendations -----	----- Comments of the accounting officer -----
An amount of Rs.116,620 had been collected from an amount of Rs.774,654 from rent income in the year under review and as such the collected percentage amounted to 15 per cent.	Action should be taken to collect the arrears of income immediately.	Action will be taken to collect the arrears of income immediately in future.

2.2.5. Court Fines and Stamp Fees

----- Audit Observations -----	----- Recommendations -----	----- Comments of the accounting officer -----
The Court Fines amounted to Rs.5,025,640 and the Stamp Duties amounted to Rs.98,960,978 had to be collected from the Chief Secretary of the Council and other authorities as at 31 of the year under review.	Action should be taken to collect the arrears of income.	Action will be taken to collect the arrears of income in the future.

3. Operational Review

3.1. Performance

Facts observed relating to the execution of activities by the Pradeshiya Sabha in accordance with Section 3 of the Pradeshiya Sabha Act such as regulation of health of the general public, common utility services and public road facilities and maintenance of people's welfare, facilities and development are given below.

(a)	Action plan ----- Audit Observations ----- An action plan to enact the works to be done by the council had not been made as according to the By-laws enacted.	Recommendations ----- A annual action plan should be prepared.	Comments of the accounting officer ----- Action will be taken to make a yearly action plan in the future.
(b)	Goals of sustainable development ----- Audit Observations ----- Plans had not been made according to 2030 Agenda of the Purposes of Sustainable Development for the global view of such purposes to enhance the living standards and health of the people living in the Council Territory.	Recommendations ----- Action should be taken to make a long-term plan to enhance the living standards and health of the people.	Comments of the accounting officer ----- Action will be taken to make a plan to enhance the living standards of the people within the area of authority of the Council
(c)	Solid Waste Management ----- Audit Observations ----- The Organic Compost Project that was stated in the Monroviawatta land was stopped for 04 years and the 02 buildings and the equipment used to produce organic compost had been left idle up to 26 February 2019.	Recommendations ----- Action should be taken to initiate a long-term plan for the management of garbage.	Comments of the accounting officer ----- Action had been taken to hand over the Garbage Management to a project conducted by the Department of Local Government
(d)	Abandoned Work ----- Audit Observations ----- Action had not been taken to put into use	Recommendations ----- Action should be	Comments of the accounting officer ----- Action will be

vehicles, books and equipment to be used for the Mobile Library service valuing Rs.3,348,276 even up to 31 December of the year under review

taken to reinitiate the Project.

taken to reinitiate the project.

3.2. Management Inefficiencies.

Audit Observations

Recommendations

Comments of the accounting officer

When renting out 22 shop rooms of the Council had not entered into an agreement as according to the Circular No. දපපා/පපාකො/2010/01 of the Local Government Commissioner (Southern Province) dated 27 December 2010. The arrears of shop rent related to 16 shop rooms amounted to Rs.535,150 had not been collected yet due to the absence of rent agreement, therefor there is a barricade to take legal action due to non-availability of writer agreement.

Action should be taken to sign agreement and collect arrears of shop rent.

Action will be taken to correct.

3.3. Human Resource Management

Audit Observations

Recommendations

Comments of the accounting officer

(a) Vacancies and excess of staff

(i) Action had not been taken to recruit 02 vacant posts and regulate 21 excess of staff.

Action should be taken to recruit properly for vacancies and regulate the excess of staff.

Action will be taken to correct in future.

(ii)	It was observed that 12 officers of the Council do acting of higher posts duties which are not relevant to the them.	Action should be taken to assign duties related to the post	Action will be taken to correct the duties through recruitment
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(b) Staff loans

Action had not been taken to collect an amount of Rs.26,760 from 06 employees who had served in the council and had left service or deceased due from 2006 and an amount of Rs.9,711 to be taken from an employee who had left service in 2016 even up to the year under review.	Action should be taken to collect the arrears of Worker Loans	Action will be taken to collect in the future.
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3.4. Management Inefficiencies

Pre-school Administration

Audit Observations

Recommendations

Comments of the
accounting officer

(a)	A preschool situated in the Delmar colony had been close since 2012 and action had not been taken to repair and reopen the pre school	Action should be taken to repair and reopen the Pre school	Action will be taken to open the in 2020 since there was a lack of provision in 2019.
(b)	An amount of Rs.35,284 had been paid monthly as salary for the Matron of the closed Preschool from the month December of the year under review up to February 2019 totaling to Rs.141,136.	Action should be taken to transfer to other center if the Preschool will not be opened in future.	Action had been taken to inform the Commissioner of Local Government for transfer.

3.5. Asset Management

3.5.1. Non collection of income receivable from asset.

Audit Observations	Recommendations	Comments of the accounting officer
(a) Although the Cinnamon cultivation Land had been rented based on the condition of Harvesting for an amount of Rs.456,500 for the preceding year, action had not been taken to rent the land in the year under review and the cultivation was left without maintenance.	Action should be taken to maintain and rent the cultivation	Action will be taken to maintain and harvest the cultivation.
(b) Action had not been taken to repair and use of a gully bowser that can be used to drive through small roads of rural areas within the area of authority of the government and as such had not been used for increasing income and the bowser had been parked in the parking at the organic compost production plant.	Action should be taken to repair and use.	Action will be taken to repair.

3.5.2. Idle and underutilized assets

Audit Observations	Recommendations	Comments of the accounting officer
Action had not been taken according to the Circular No.02/2015 dated 10 July 2015 regarding Tractor, Cab, Trailer and Cement Mixer and was parked in the Compost plant.	Action should be taken to dispose if it cannot be repaired.	Action had been taken to inform the Department of Local Government to disposed.

3.6. Identified Losses

Audit Observations	Recommendations	Comments of the accounting officer
A Surcharge amounting to Rs.85,893 had been imposed since the contributions for the Employee Trust Fund had not been made properly. Action had not been	Action should be taken according to the Financial Regulations	No answer had been given

taken according to the Financial Regulation 156(1) regarding this matter

4. Accountability and Good Governance

4.1. Budgetary Control

Audit Observations	Recommendations	Comments of the accounting officer
(a) A total of Rs.12,205,490 was saved from 03 expenditure items and this value range in between 33 per cent to 65 per cent.	Action should be taken to prepare real estimations.	Action will be taken regarding this matter.
(b) Adverse variance totaling to Rs.2,787,044 was seen in 03 expenditure items and this range in between 36 per cent to 100 per cent.	Action should be taken to prepare real estimations.	Action will be taken in next year regarding this matter.
(c) An adverse variance of an Income item amounted to Rs.11,631,549 or 78 per cent.	Action should be taken to prepare real estimations.	Action will be taken in next year regarding this matter.

4.2. Internal Audit

Audit Observations	Recommendations	Comments of the accounting officer
(a) The Auditor General had not been inquired for preparation of the Internal Audit Program in terms of the provisions of the Financial Regulations 133 and 134 of the Democratic Socialist Republic of Sri Lanka and the Circular No. දළභා/යහ/01/න.ව.ලේ dated 24 February 2014 of the Commissioner of Local Government (Southern Province). Adequate internal audit had been done and copies of the audit reports had not been submitted for audit	Action should be taken to create a plan according to the Financial Regulations and the Circular and an internal audit should be conducted.	Action will be taken according to the Financial Regulations and the Circular.