

Galle Municipal Council
Galle District

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year 2019 had been presented for audit on 28 February 2020 and the report of the Auditor General on 29 June 2020 and the Detailed Management reports on 03 July 2020 had been sent to the mayor of the Council.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the, basis for qualified opinion under Section of my report the financial statements give a true and fair view of the financial position of the Galle Municipal Council 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

1.3.1 Accounting Deficiencies

Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
(a) Although Business Tax to be received as at the end of the year under review amounted to Rs.5,496,321, it was accounted in the financial statements as Rs.9,066,045.	Correct balances should be accounted.	Action will be taken to rectify in future.
(b) License fees income related to the year under review amounting to Rs.3,276,600 had not been accounted.	Correct balances should be accounted.	Action will be taken to rectify in future.
(c) Arrears of Trade Permit fees related to the year under review amounting to Rs.1,986,200 had been accounted in the financial Statements as Rs.1,206,196.	Correct balances should be accounted.	Action will be taken to rectify in future.
(d) The Stamp fees income had been accounted as Rs.100,000,000 without considering the average of stamp fees of 05 preceding years and as such the income for the year under review had been over assessed.	Correct balances should be accounted.	Action will be taken to rectify in future.

- | | | | |
|-----|---|---|---|
| (e) | Provision had not been made in accounts for the Audit fees to be paid for the year under review. | Provision should be made for Audit fees. | Action will be taken to rectify in future. |
| (f) | The process changes amounting to Rs.5,830,583 collected during the approval of Building applications had not been identified as Liabilities. | Liabilities should be accounted correctly. | Action will be taken to rectify in future. |
| (g) | Transaction amounting to Rs.505,667 had been credited without proper approval in the year under review to the Cumulative Fund and Transactions amounting to Rs.1,934,029 had been Debited to the Cumulative fund. | Approval should be obtained for Transactions. | Action will be taken to rectify in future. |
| (h) | Provision had not been made in accounts for Pension amounting to Rs.103,673,560 to be paid as at the end of the preceding year. | Provision should be made for Pension. | Action will be taken to rectify in future. |
| (i) | Information regarding stamp fees and court fines to be received for the year under review amounting to Rs.33,284,580 had not been shown in Financial Statements. | Correct balances should be shown in Financial Statements. | Noted that Budgeted funds for the stamp fees are accounted. |

1.3.2 Unreconciled Account

 Audit Observations

 There was a difference amounting to Rs.17,985,748 between the Balances of the Financial Statement and Utility Ledgers/ Sub registers of 04 Accounting items as at 31 December of the year under review.

Recommendations Comments of the
 Accounting
 Officer

 Action should be taken to rectify the accounts after reconcile the balances of the accounts.

 Action will be taken to rectify in future.

1.3.3 Suspense Account

 Audit Observations

 Required action had not been taken to resolve an amount of Rs.111,553 had been seen in the Suspense account since 2003.

Recommendations Comments of the
 Accounting
 Officer

 Suspense account balance should be resolved.

 Noted that action will be taken to resolve in future.

1.3.4 Receivable and Payable Accounts

Audit Observations		Recommendations	Comments of the Accounting Officer
-----		-----	-----
(a) Receivable Accounts			

(i) The Debtor balance of Rs.561,721,172 as at the end of the preceding year had increased to an amount of Rs.648,308,725 as at the end of the year under review and this amount was huge as 45 per cent of the total Assets.		Receivable balances should be collected in exigent.	Noted that action will be taken to rectify in future.
(ii) Total of 14 balances amounting to Rs.46,382,556 had been shown in Financial Statements due from a long time and action had not been taken to settled the balances.		Account balances due from a long time should be recovered.	Action will be taken to rectify in future.
(b) Payable Accounts			

General supply Creditors amounting to Rs.135,931,579 as at the beginning of the year under review had grown to an amount of Rs.139,134,883 as at the end of the year under review.		Payable account balances should be identified and settled.	Action will be taken to rectify in future.

1.3.5 Lack of Documentary Evidence for Audit

Not presenting information			

Audit Observations		Recommendations	Comments of the Accounting Officer
-----		-----	-----
(a) Required information regarding 06 items of accounts amounting to Rs.475,086,428 had not been provided for audit.		Information confirming the balances of the financial statements should be submitted.	Action will be taken to rectify in future.
(b) Sufficient information had not been provided to confirm a Stock balance amount of Rs.68,386,691 shown in the Financial statements as at the end of the year under review.		Information confirming the balances of the financial statements should be submitted.	Action will be taken to rectify in future.

1.4 Non Compliance

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

References to the Laws, Rules, Regulations and Management decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
-----	-----	-----	-----
Paragraph 247(d) of the 1947 Municipal Council Act No.16	Tax was not collected from undeveloped land and a register regarding such land was not maintained.	Action should be taken to prepare a register and collect taxes.	Relevant action will be taken in the year 2020.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, the Revenue over Recurrent Expenditure of the Council for the year ended 31 December 2019 amounted to Rs.141,182,555 as compared with the corresponding Revenue over Recurrent Expenditure for the preceding year amounted to Rs.178,438,560.

2.2 Revenue Administration

Audit Observations	Recommendations	Comments of the Accounting Officer
-----	-----	-----
(a) Proper Actions were not taken for a totaling to Rs.239,996 of transactions due from more than two years as according to the Bank Reconciliation statement prepared for month of December of the year under review.	Action should be taken to settle balances due from long time.	Noted that action will be taken to rectify in future.
(b) The council did not possess details about a cheque amounting to Rs.55,474 included in the dishonored cheque balance of Rs.518,317 and action had not been taken to settle 16 dishonored cheques amounting to Rs.209,128 due from more than one year.	Action should be taken to settle after finding information.	Noted that action will be taken to rectify in future.

- (c) Action had not been taken for 62 cheques issued but not presented for payment amounting to Rs.295,482 due from 06 months as according to the Financial Regulation 396. Action should be taken according to the Financial Regulations. Noted that action will be taken to rectify in future.

2.3 Revenue Administration

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

The details of the Estimated Income, Billed Income, Collected Income and Arrears of income for the year under review and the preceding year are shown below.

Source of Income	<u>2019</u>				<u>2018</u>			
	Estimated Income	Billed Income	Collected Income	Total arrears of income at 31 December	Estimated Income	Billed Income	Collected Income	Total arrears of income at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and tax	111,510,000	87,666,373	92,705,195	145,408,000	111,510,000	106,365,583	105,113,546	142,355,829
Rent	105,582,275	39,000,691	55,839,507	44,589,860	105,582,275	48,236,132	42,975,003	26,184,809
Permit fees	42,104,000	7,412,560	31,949,557	7,386,142	42,104,000	37,150,353	36,326,845	9,468,570
Other income	158,007,000	131,791,628	133,666,570	450,924,723	158,007,000	170,068,921	84,220,934	8,237,753
Total	417,203,275	265,871,252	314,160,829	648,308,725	417,203,275	361,820,989	268,636,328	186,246,961

2.3.2 Performance in Collecting Revenue

Audit Observations

Billed ground Rent and harvest Tax for 06 Property belonging to the council amounted to Rs.7,434,630. The income to be collected amounted to Rs.15,017,368 yet the collected income amounted to Rs.3,251,780 and as such the collected percentage was 22 per cent.

Recommendations

Arrears of income should be collected in exigent.

Comments of the Accounting Officer

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

2.3.3 Assessment Tax

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) The arrears of Assessment Tax due from the end of the preceding year amounted to Rs.131,869,573 and it had grown to Rs.135,067,229 as at the end of the year under review.	Arrears of income should be collected in exigent.	The red notices had been issued and action will be taken to collect arrears of income.
(b) Some of Government and Private institutions had constantly evaded the payment of Assessment Tax and Tax evasions between Rs.115,714 and Rs.2,683,125 was seen in 147 of these institutes.	Arrears of income should be collected in exigent.	Noted that Tax collection programs were not initiated due to the problematic situation of the country.

2.3.4 Rental Income

Audit Observations	Recommendations	Comments of the Accounting Officer
The arrears of rent amounting to Rs.26,184,289 as at the beginning of the year under review had grown to an amount of Rs.32,023,215 as at the end of the year.	Action should be taken to collect arrears of income as according to the Rent Agreements.	Action will be taken to collect arrears of income in 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) Not achieving the expected level of finish.

Audit Observations

As according to the contract to install a Geological Information System for obtaining information regarding the area of authority of the council the work should be completed on 02 July 2013. Yet, although an amount of Rs.4,081,950 was spent for this, the said Information System was not prepared and handed over to the council even as at the end of the year under review.

Recommendations

The project should be finished in exigent and used for the work of the council.

Comments of the Accounting Officer

Noted that the project was given over to the council at the year 2015.

(b) Not achieving the Expected Level of Outcome

Audit Observations

The amount of Rs.10,204,152 in the Urban Development Authority Savings account had not been used for any developmental work.

Recommendations

Should be used for developmental work.

Comments of the Accounting Officer

Action will be taken to use in future.

(c) Delay in Performing Duties.

Audit Observations

Although the Town hall had to be repaired on or before 28 March 2018 as according to the agreements, the repair work was not done even up to 27 April 2020.

Recommendations

Projects should be initiated as according to the agreements.

Comments of the Accounting Officer

Comments were not given.

(d) Goals of Sustainable Development

Audit Observations

Plans had not been made according to 2030 Agenda for 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 enhance the living standards of the citizens by preparing long term plans for Sustainable Development.

Comments of the Accounting Officer

Noted that plans are to be made under the Guidance and Advice from the Department of Local Government.

3.2 Contract Administration

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) Agreements have been signed for the preparation of Bope Crossing drainage channel for an amount of Rs.1,550,645 and it was to be finished before 08 February 2018. Yet since a reason of the Contractor and arguments by the occupants the project had been stopped halfway without completion.	The project should be finished as according to the Agreement.	Comments were not given.
Although 8mm 10 iron rods should be used for the concrete only 8mm 8 iron rods had been used to the completed part as such 87 kg of iron rods less was used for the concrete.	Iron rods should be applied as according to the estimated amount.	Comments were not given.
(b) Although the Plywood Form work to be applied was to be 16mm thick, 12.5mm thickness fly wood was used for the construction of the Side retain wall of the Galle Saranankara road and as such an amount of Rs.23,439 and as according to the work item No.07 an amount of Rs.88,885 was Overpaid.	Estimated should be prepared properly and action should be taken accordingly.	Comments were not given.
<h3>3.3 Management Inefficiencies.</h3>		
Audit Observations	Recommendations	Comments of the Accounting Officer
(a) Audit fees for 2016 to 2018 amounting to Rs.5,980,920 had not been paid.	Annual audit fees should be paid as according to the Municipal Council Act.	Comments were not given.
(b) It was agreed to move the Expenditure Division to a separate location from 04 January 2018 to 12 February 2020 for two years till the repairs of the building of Department of the Finance is completed. As according to the agreement, a	Action should be taken to prepare a method to repair the building.	Action will be taken to rectify in future.

monthly fee of Rs.60,000 and as such an amount of Rs.1,440,000 had been paid. Although more than two years had gone, no steps were taken to repair the relevant building or to prepare another location.

- | | | | |
|-----|--|---------------------------|--|
| (c) | A permit for the dispose relevant to the land being used to dispose waste had not been taken from the Central Environmental Authority. | A permit should be taken. | Action will be taken to obtain a permit. |
|-----|--|---------------------------|--|

3.4 Human Resource Management

 Audit Observations

Recommendations Comments of the
 Accounting
 Officer

(a) Vacancies and Excess of Cadre

- | | | | |
|-----|---|--|--|
| (i) | An excess of 04 Member and Secondary positions and 126 vacancies were present. Action had not been taken to formalize 100 of Casual and Contract based workers. | Action should be taken to formalize excess and properly recruit for vacancies. | Action will be taken to rectify in future. |
|-----|---|--|--|

- | | | | |
|------|---|---|--|
| (ii) | 23 vacancies of 06 standard positions and 08 excess of 02 positions were in the Public Library. | Action should be taken to formalize excess and properly recruit to vacancies. | Action will be taken to rectify in the future. |
|------|---|---|--|

- | | | | |
|-----|--|---|--|
| (b) | The Municipal Engineer had been removed from work as at a decision of the General Meeting of the Municipal council as at 15 October 2018 and Salary and Wages amounting to Rs.1,220,546 had been paid till January 2018 without obtaining service. | Dismissal and Recruiting of duties should be done under proper supervision. | Noted that although notified to take steps to grant duties or to transfer to a different place, such action was not taken. |
|-----|--|---|--|

3.5 Management Inefficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
08 institution approved by the Tourist Board had not been paid License Fees and Rs 1,092,109 had not been charged as one percent of their Income from 06 institution.	Relevant charges should be collected from the institutions approved by the Tourist Board.	Legal Actions are being taken against the institution which had not paid the License Fees.

3.6 Assets Management

3.6.1 Not repairing and Maintaining assets

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) The slab of the top floor of the Professor Richard Pathirana Public library belonging to the council was cracked and some walls also were cracks.	The asset should be properly maintained and repaired.	Renovation work was done on several occasions.
(b) Although 16 security cameras amounting to Rs.562,800 was bought for the security of the public library, yet the said camera system had failed within a year even before the end of the warranty period.	Action will be taken to repair the camera system.	Noted that it will be rectified in the future.

3.6.2 Vehicle Utilization

Audit Observations	Recommendations	Comments of the Accounting Officer
The fuel consumption tests were not done for 106 vehicles belonging to the council.	Fuel consumption tests should be done.	Noted that Fuel consumption tests will be done in future.

3.7 Procurement

Audit Observations

Goods were bought from unregistered suppliers contra the Paragraph 3.4.3(c) of Procurement Guidelines.

Recommendations

Quotations should be called as according to the Procurement Guidelines.

Comments of the Accounting Officer

Noted that spare parts are being obtained for essential services in exigent.

4. Accountability and Good governance

Audit Observations

Proper internal audit was not conducted for the year under review and Monthly, Tri-Monthly, Semiannual and Annual reports were not presented for Management.

Recommendations

Action should be taken according to the Circulars.

Comments of the Accounting Officer

Noted that action is being taken according to the Circulars.