

Rajgama Pradeshiya Sabha  
Galle District  
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1. Financial Statements  
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1.1 Presentation of Financial Statements  
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The Financial Statements for the year 2019 had been presented for audit on 03 March 2020 and the report of the Auditor General sent on 11 June 2020 and the Detailed Management reports sent on 30 June 2020 to the Chairman of the Council.

1.2 Qualified Opinion  
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In my opinion, except for the effect of matters described in the, basis for qualified opinion under the Section of my report the financial statements give a true and fair view of the financial position of the Rajgama Pradeshiya Sabha 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  
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1.3.1 Accounting Deficiencies  
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Audit observations -----	Recommendations -----	Comments of the Accounting Officer -----
(a) 31 land and building items were not assessed and shown in the financial statements as at 31 December of the year under review.	Assets should be accounted correctly.	Action will be taken to rectify in the future.
(b) Credit provisions were not made for the Payable contribution to the Local Government Pension fund amounting to Rs.14,093,213 as at 31 December of the year under review.	Should be accounted correctly.	Action will be taken to rectify in future.
(c) The crematorium amounting to Rs.5,760,007 belonging to the Hikkaduwa Municipal Council was included in the financial statements of Rajgama Pradeshiya Sabha as an asset.	Should be accounted correctly.	Action will be taken to rectify in future.

1.3.2 Unreconciled accounts

Audit observations	Recommendations	Comments of the Accounting Officer
(a) There was a difference amounting to Rs.1,437,034 between Balances of the Financial Statement and utility register/ sub registers of 02 accounting items as at 31 December of the year under review.	Action should be taken to rectify the accounts after reconciling the balances.	Action will be taken to correct in the future since the differences were since a long time.
(b) Although the Electronic stock as in the financial statements amounted to Rs.148,599 and the Physical stock at the date amounted to Rs.197,546 and as such there was a difference of Rs.48,947 as at 31 December of the year under review.	Should be correctly accounted after reconcile.	Action will be taken to rectify in the future.
(c) A difference of Rs.3,401,225 was present in the Value of Fixed assets and the balance of the Capital Contributions by Income account as at 31 December of the year under review.	Action should be taken to rectify the difference.	Will be rectified using an assessment.

1.3.3 Suspense account

Audit observations	Recommendations	Comments of the Accounting Officer
Action had not been taken to settle the Debit balance of the Suspense account amounting to Rs.288,833 due from 2008.	Action should be taken to settle the balance of the suspense account.	Action will be taken to rectify in the future.

1.3.4 Receivable and Payable accounts

Audit observations	Recommendations	Comments of the Accounting Officer
(a) Receivable accounts. Action had not been taken to settle 07 receivable account balances totaling to Rs.10,670,683 repeatedly bought forward in the financial statements without change due from a period of time 08 to 18 years	Receivable balances should be settled.	Action will be taken to rectify in future.

(b) Payable accounts.

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Action had not been taken to settle 04 payable account balances totaling to Rs.1,175,200 repeatedly bought forward in the financial statements without change due from a period of time 13 to 18 years.

Action should be taken to settle payable balances. Action will be taken to rectify in future.

1.3.4 Lack of documentary evidence for Audit

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Failure to present information  
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Audit observations

Recommendations

Comments of the Accounting Officer  
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Needed information regarding 04 items of accounting amounting to Rs.11,677,789 had not been presented for Audit.

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Ledger accounts and Registers should be prepared correctly.

Action will be taken to enter in to document fixed assets.

1.4 Non Compliance

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Non-compliance with Laws, Rules, Regulations and Management Decisions.  
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References to the Laws, Rules, Regulations and Management decisions

Non-compliance

Recommendation

Comments of the Accounting Officer  
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(a) 1988 Pradeshiya Saba (Financial and Administrative) Rules  
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(i) Rule 33

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A list of people who had neglected to pay the Assessment Tax and a list of prohibition of property warrants had not been prepared

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Action should be taken according to the Rules.

Action will be taken to recover arrears of income after issuing warrants in the future.

(ii) Rule 59

A list had not been prepared for industries within the area of authority of the council after conducting a survey.

Action should be taken according to the Rules.

Action will be taken accordingly.

(iii) Rule 193	A statement had not been prepared depicting the reasons for the Excess and Deficiencies after comparing the Budget and Expenditure items.	Action should be taken according to the Rules.	Action will be taken accordingly.
(iv) Rule 218	An annual investigation had not been conducted on Land and Buildings belonging to the Council.	Action should be taken according to the Rules.	Action will be taken accordingly.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka -----			
(i) Financial Regulation 102 through 110.	Action taken for an accident related to a water bowser and the relevant reports were not presented for audit and a Loss and Damage register was not maintained.	Action should be taken according to Financial Regulations.	Action will be taken to rectify in the future.
(ii) Financial regulation 570 and 571 (1) (2)	Action had not been taken for 09 types of Deposits amounting to Rs.666,846 due for more than 2 years as of 31 December of the year under review.	Action should be taken according to Financial Regulations.	Action will be taken to rectify in the future.
(iii) Financial Regulation 1645 and 1646	Daily running charts and Monthly Summaries of 14 vehicles were not presented for audit.	Action should be taken according to Financial Regulations.	Action will be taken to rectify in future.
(c) The Circular No.30/2016 Public Administration and Management dated 29 December 2016	Fuel consumption tests were not done for 14 vehicles in running condition.	Action should be taken according to the Circulars.	Noted that a fuel consumption test will be done in future.

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.3,993,042 as compared with the corresponding Revenue over Recurrent Expenditure for the preceding year amounted to Rs.16,134,492.

2.2 Revenue Administration

2.2.1 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	2019				2018			
	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	5,037,500	1,191,291	1,298,674	6,422,719	1,831,000	1,161,836	884,608	6,526,942
Rent	3,615,600	105,600	99,770	663,984	1,602,600	105,600	116,620	658,034
Permit fees	1,770,500	703,762	703,762	81,622	910,500	632,354	632,354	81,622
	<u>10,423,600</u>	<u>2,000,653</u>	<u>2,102,206</u>	<u>7,168,325</u>	<u>4,344,100</u>	<u>1,899,790</u>	<u>1,633,582</u>	<u>7,266,598</u>

2.2.2 Assessment and Tax

Audit observations	Recommendations	Comments of the Accounting Officer
(a) Action had not been taken to recover an arrears of assessment tax amounting to Rs.8,850,610 bought forward since more than 14 years.	Arrears of income should be recovered as soon as possible.	Action will be taken to collect arrears of income as soon as possible.
(b) The arrears of assessment tax in the area of authority of the head office amounted to Rs.3,252,113 as at 31 December of the year under review. 1824 of arrears of assessment units amounting to Rs.2,593,849 of this was not recovered from whatsoever.	Arrears of income should be collected exigent.	Action will be taken to collect arrears of income as soon as possible.

(c)	Action had not been taken to do a new assessment for Assessment tax after 2011.	Action should be taken to Confirm in a timely manner.	Noted that although it was asked for since 2017, a new confirmation was not done.
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2.2.3 Court fines and Stamp fees

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Audit observations

Recommendations

Comments of the Accounting Officer

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The Court Fines amounting to Rs.3,999,290 and Stamp fees amounting to Rs.113,193,266 was to be taken from the Chief Secretary of the Provincial Council and other authorities as at 31 December of the year 2019 under review.

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Arrears of income should be collected exigent.

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

3. Operational Review

3.1 Performance

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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

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Audit observations

Recommendation

Comments of the Accounting Officer

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An action plan was not prepared and approved for the duties to be performed as according to the established bylaws by the Council for the year under review.

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An annual Action plan should be prepared.

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Action will be taken to prepare an annual action plan in the future.

(b) 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.

Recommendation

Action should be taken to prepare long-term plans for the sustainable development and increase the living standards of the Citizens.

Comments of the Accounting Officer

A plan will be made in the future to enhance the living standards of the citizens living within the area of authority.

(c) Solid Waste Management

Audit observations

- (i) Since the Organic fertilizer project was stopped 05 years ago, the Waste shredding machine, Garbage mixing machine and the building used for the project was left idle. waste collected daily by the council weighing 02 tons were given to the Monroviawatta Garbage plat.

Recommendation

A long-term program should be made for the management of waste after activating the Monroviawatta waste project.

Comments of the Accounting Officer

A long-term plan will be made after activating the project while working with a other Government institute.

(d) Abandoning projects without Fulfil

Audit observations

Action had not been taken to construct the Bopagoda Mahagedara estate road with an estimated value of Rs.600,000.

Recommendation

The project should be finalized exigent.

Comments of the Accounting Officer

Noted that the project will be initiated again in future.

### 3.2 Management Inefficiencies

Audit observations	Recommendation	Comments of the Accounting Officer
(a) An amount of Rs.3,229,491 was spent for the maintenance of Street lamps in the year under review and since an agreement had not been signed with the electricity board the maintenance cost of street lamps could not be reimbursed.	To an agreement should be entered with the electricity board.	Action will be taken come to an agreement in future.
(b) Action had not been taken to utilize the Dalkada weekly fair to generate income.	Action should be taken to show as the council income after collecting weekly fair tax.	Action will be taken to initiate the weekly fair.
(c) An income amounting to Rs.456,500 was collected in 2017 from the cinnamon cultivation yet the income of the cinnamon harvest was not included in the accounts of 2018 and 2019.	Action should be taken to maintain the Cinnamon cultivation and get the income in to the account.	Action will be taken to lease according to new agreement and generate income.

### 3.3 Human resource management

Audit observations	Recommendation	Comments of the Accounting Officer
(a) Vacancies and Excess of cadre		
(i) Action had not been taken to fill 16 vacancies of the approved cadre.	Action should be taken to fill the vacancies.	Action will be taken to rectify in future.
(ii) Action had not been taken to formalize 07 excess of cadre.	Positions should be formalized.	Action will be taken to formalize positions via the Chief Ministry in future.
(iii) Salary and Wages amounting to Rs.4,668,100 was paid to 16 workers recruited based on substitute as at the year under review.	Positions should be formalized.	Action will be taken to formalize positions via the Chief Ministry in future.



(iv)	Only 11 out of the 102 staff and officers working in the council were given Duty lists.	Duty list should be given to all the staff.	Noted that Duty list will be given to all the staff in future.
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(b) Staff Loans

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Action had not been taken to collect a collectable amount of Rs.36,471 of worker loans.

Arrears of worker loans should be collected exigent.

The working places were notified of the loans and to cut off staff loans of deceased staff as Bad credit.

3.4 Management inefficiencies

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Audit observations

Recommendation

Comments of the Accounting Officer

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(a) The preschool situated in the Delmar Colony was closed since 2013 and action had not been taken to restart the preschool by repairs.

Repair the preschool should be started exigent.

Action will be taken to initiate in the year 2020.

(b) The crematorium built for an amount of Rs.19,174,074 was opened after construction was over in 16 March of the year under review yet was closed after being met with protests from the citizens. The identified shortcoming was not rectified, and the service was not restarted.

The shortcomings of the crematorium should be rectified and should be started exigent after obtaining an environmental permit.

Noted that the Ministry of Local Government was informed for the approval for the rectification of the shortcomings and the crematorium will be restarted once approval is granted.

3.5 Asset Management

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3.5.1 Failure to Maintain and Repair

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Audit observations

Recommendation

Comments of the Accounting Officer

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The JBS machine amounting to Rs.17,975,750, the Mahendra cab amounting to Rs.137,500 and the Sewage bowser amounting to Rs.3,500,000 was removed from running.

Should be utilized after repair.

The backhoe machine is already sent for repairs while the remaining vehicles will be sent for repairs.

2.3.2 Idle and Underutilized assets

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Audit observations

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A tractor, a Cab, 02 trailers and a Cement mixture machine was left idle since 2001.

Recommendation

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Should be repaired or disposed.

Comments of the Accounting Officer

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Action will be taken to disposed according to the Circulars.

4. Accountability and good governance

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4.1 Internal audit

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Audit observations

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A proper internal audit had not been conducted in the year under review.

Recommendation

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Proper internal audit should be conducted and reports should be presented for audit.

Comments of the accounting officer

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Noted that an officer will be appointed in June 2020.

4.2 Conducting Audit and Management committees

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Audit observations

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Even though Audit and Management Committees were established only one committee meeting was held in the year under review.

Recommendation

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Audit and Management committees should be held.

Comments of the accounting officer

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Noted that action will be taken to hold correctly in the year 2020.