

**Beruwala Pradeshiya Sabha**

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**Kalutara District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2018 had been presented for audit on 31 March 2019 and the summary report of the Auditor General had been forwarded on 02 August 2019 and the detailed management audit report had been forwarded on 25 September 2019 to the Chairman.

**1.2 Qualified Opinion**

In my opinion, except for the effect of matters described in the basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Beruwala 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) A Sum of Rs. 7,628,090 payable to the Director General of Pension had not been stated in creditors as at 31 December 2018.	Should be accounted accurately.	Action will be taken to correct from the financial statement in 2019.
(ii) Capital Revenue of Rs. 161,258 and Receivable Work Aid of Rs. 815,171 had been overstated relevant to the year under review.	Should be accounted accurately.	Action will be taken to correct from the financial statement in 2019.
(iii) Fixed Deposit Interest Income for the year under review of Rs. 276,706 had been understated.	Should be accounted accurately.	Action will be taken to correct the financial statement in 2019.
(iv) Instead of accounting physical stock as stock value, the book value of Rs.1,720,811 had been accounted for.	Correct amount should be accounted.	Action will be taken to correct from the financial statement in 2019.

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| (v)    | A sum of Rs. 245,000 which had spent to purchase of 50 waste bins had been accounted in Motor Vehicle and Cart account.   | Should be accounted accurately. | Action will be taken to correct from the financial statement in 2019. |
| (vi)   | A sum of Rs. 37,500 had been shown as correction of the error occurred in the 2016 in the schedule of Furniture, Fittings and Office Equipment, and the details thereon had not been submitted.   | Should be accounted accurately. | Action will be taken to correct from the financial statement in 2019. |
| (vii)  | A sum of Rs. 1,021,000 had been spent for installation of a speaker set had not been capitalized.   | Should be accounted accurately. | Action will be taken to correct from the financial statement in 2019. |
| (viii) | A value of Rs. 4,645,000 had been spent for computerized networking of the Sabha activities had not been capitalized.   | Should be accounted accurately. | Action will be taken to correct in financial statement in 2019.       |
| (ix)   | Deposit amounting to Rs. 11,000,000 had been paid to Divisional Secretary of Beruwala as compensation of vesting land for expanding Maggona public fair, had been accounted under lands and buildings without accounting as advance. Further a sum of Rs. 300,000 paid as administration expenses for the activities had been accounted under capital expenditure without accounting under advance in the financial statements. | Should be accounted accurately. | Action will be taken to correct from the financial statement in 2019. |
| (x)    | Although a sum of Rs. 2,983,500 should be adjusted to the accounts as installment of a compactor, it had been adjusted as Rs. 994,500. as a result Utility Service Account and Local Government Compactor Vehicle Account had been overstated by Rs.1,989,000 in financial statements.  | Should be accounted accurately. | Action will be taken to correct in financial statement in 2019.       |

**(b) Unreconciled Accounts**

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Audit Observations	Recommendations	Comments of the Accounting Officer
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A difference of Rs.103,420 had occurred between balances of Rs.1,373,537 relevant to 2 items of accounts shown in the financial statements and balances shown in the relevant schedules.	Action should be taken to reconcile the balances and correct the accounts	Since the shortcomings occurred while computerization. Relevant officers will be advised to correct.

**(c) Lack of Necessary Documentary Evidence for Audit**

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Audit Observations	Recommendations	Comments of the Accounting Officer
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Four items of accounts relating to Rs. 304,063,936 could not be satisfactorily vouched in audit due to lack of title deeds for confirm the ownership or transfer orders, board of survey reports, register and schedule of receivable stamp fees.	Evidence to confirm the balances of accounts in the financial statements should be furnished.	Action will be taken to correct.

**1.4 Non compliance**

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

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Reference to Laws, Rules, Regulations Management Decisions	Amount	Non- compliance	Recommendation	Comments of the Accounting Officer
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	Rs.			
(a) 1988 Pradeshiya Sabha (Financial and Administration)Rules Rule 218	-	All lands and buildings belonging to	Action should be taken according to the Pradeshiya	Action is being taken to examine all lands and buildings.

Sabha had not been inspected once a year. Sabha Rules.

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|-----|--|-----------|--|--|---|
| (b) | Financial Regulation of the Democratic Socialist Republic of Sri Lanka<br>Financial Regulation 104 |           | Report had not been presented with regard to the accident took place to a tractor.                                       | Action should be taken according to the Financial Regulation.        | Internal auditor was informed to examine and submit a report with regard to the accident. |
| (c) | Section 3.1 of Public Administration Circular No.30/2016 of 29 December 2016                       |           | Fuel consumption tests of 33 vehicles had not been carried out.  | Action should be taken according to the circular.                    | Fuel consumption will be tested of all vehicles in Sabha.                                 |
| (d) | Section 3.9.1 of National Procurement Guidelines   | 2,420,000 | Without examine relevant qualifications contracts had been awarded to community based organizations under direct labour. | Actions should be taken according to National Procurement Guideline. | Will be corrected in future.  |

2. **Financial Review**

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2.1 **Financial Results**

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According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2018 amounted to Rs.38,032,903 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.55,699,159.

## 2.2 Revenue Administration

### 2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear 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	18,510,508	23,988,856	11,632,353	12,356,503	15,266,375	17,403,708	18,873,253	12,902,511
Rent	19,077,408	20,102,792	16,703,957	3,398,835	25,834,430	15,282,815	15,682,994	3,139,393
License Fees	3,142,500	4,716,131	4,602,131	114,000	4,400,630	4,263,287	4,253,287	10,000
Other revenue	50,600,600	50,600,000	42,149,902	85,818,970	53,992,495	44,000,000	46,506,665	79,622,624

### 2.2.2 Performance in Revenue Collection

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) <b>Rates and Taxes</b></p> <p>Out of the arrears rates balance of the commencement of the year under review 71 per cent had not been recovered as at the end of the year and 52 per cent out of annual billing had not been recovered. In arrears rate balance, there were arrears outstanding between 5 to 10 years amounted to Rs.1,224,731 and arrears outstanding for more than 10 years amounted to Rs.356,615 and within that there were 127 units exceeding Rs.10,000, and 07 units more than Rs.50,000.</p>	<p>Arrears rate revenue should be recovered.</p>	<p>Action will be taken to collect arrears revenue.</p>

**(b) Business Tax**

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While the total Business Tax at the end of the year amounted to Rs.872,460 and out of that the arrears below one year amounted to Rs.577,100 and the arrears between 1 to 3 years amounted to Rs.203,360 and the arrears between 3 to 5 years was Rs.92,000.

Arrears business tax should be recovered.

Case had been filed for recovering arrears.

**(c) Stall Rent**

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There was a balance of stalls rent amounting to Rs 3,081,150 at the beginning of the year under review and out of that 57 per cent had to be recovered, at the end of year total arrears stall rent balance amounted to Rs.3,598,900 and out of that Rs.681,347 was in 1 to 3 years and between 3 to 5 years amounted to Rs.1,749,802.

Arrears rent should be recovered soon.

Demand notice has been sent for 11 stalls. There were billing in registers without agreements. Action will be taken to file cases for stalls which have agreements but in arrears.

**(d) Other Income**

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Out of total arrears of Rs.1,645,225 at the end of the year under review arrears relevant between 1 to 3 years was Rs. 47,500.

Action should be taken to recover the arrears.

Furnished to approval for writing off.

**(e) Court Fines and Stamp Fees**

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There were court fines amounting to Rs.21,007,602 and stamp fees amounting to Rs.64,811,368 in receivable as at 31 December 2018.

Action should be taken to recover court fines and stamp fees.

Answer did not furnished.

**3. Operating Review**

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**3.1 Performance**

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**Audit Observation**

**Recommendation**

**Comments of the Accounting Officer**

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**(a) By-laws**

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Although by laws have to be imposed under

By- laws should be imposed

By-laws will be imposed

section 126 of the Pradeshiya Sabha Act in order to perform 16 main functions, by laws had been imposed only for 10 functions even up to 31 December 2018.

according to Pradeshiya Sabha Act. for rest of function.

**(b) Action plan**

- (i) An Imprest Plan had not been prepared determining the imprest required for the Annual Action Plan in 2018. Imprest Plan should be prepared with the Annual Action Plan. Action should be taken to correct.
- (ii) Although the officers had been appointed to supervise and identify 157 activities for 5 programmes in Action Plan, Sabha had no method to measure the progress. A method should be prepared to measure the progress of activities in the Action Plan. Action should be taken to correct in future.

**3.2 Management Inefficiencies**

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The plots of land which were not suitable and with slope for common amenities had been obtained, when selling of block of land and three plots of land received had not utilized for any development activity.	Suitable lands should be obtained for common amenities and should be occupied for relevant activity.	Answer did not furnished.
(b) 38 stalls renovating at weekly fair, Aluthgama with the grant of an NGO in the year 2013, only 3 stalls were opened up to 29 May 2019, it had been impossible to lease out the stall by not constructing the stalls face to the road.	Action should be taken not to occur such shortcomings in future.	The construction work will be carried out with proper plan in future.
(c) The Sabha had purchased six finger scanner machines incurring a sum of Rs.570,000 with a capacity of 8000 finger scanner for 275 officers without making proper specification.	Equipment should be purchased as per the requirement with quality, and durability	Purchase will be made under recommendation of and technical evaluation committee. Two machines which could not repaired had purchased again.

### 3.3 Human Resource Management

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) 34 vacancies were existed in 10 posts.	Action should be taken to fill vacancies.	Department of Local Authority was made aware about vacancies.
(b) There were one post of stall inspector and fifty post in excess in casual, temporarily and contract basis.	Action should be taken to look up and control that situation.	Excess employees were to be recruited on service requirement.

### 3.4 Assets Management

#### 3.4.1 Assets not Vested

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
When selling of blocking out the Halkandawila Gonnagahawatta land of 8 acres 3.41 perches in extent, a portion of land had not been taken to the Sabha for common amenities.	A plot of land should be allocated for amenities and acquired to Sabha.	Action is being taken to recover the relevant value of a common plot.

#### 3.4.2 Idle and Underutilized Assets

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) Cavashima compost machine that had received in 2018 for waste management was remained idle.	Should be occupied for the relevant work after repair.	Action is being taken to hand over to the Galle Municipal Council
(b) Forty two trade stalls belonging to Sabha remained idle without lease out.	Action should be taken to lease out.	Action was taken to lease out.



### 3.5 Procurement

#### 3.5.1 Contract Administration

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) Preparing drawings and obtaining approval had not been made for 3 projects valued at Rs.3.10 million.	Drawings prepare and approval should be taken before commencing the projects.	Action is being taken to seek approvals.
(b) Since the payment were made using the higher rate instead of the rate to be used as per the description of work of 3 roads constructed a sum of Rs.118,850 had been paid in excess to the contact society.	The rate appear in the road charges schedule should be used.	Action will be taken to recover the payment made in excess to the contract society.

#### 3.5.2 Supplies and services

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) A sum of Rs.4,645,000 had been incurred in the year 2018 for computerized network of office activities in Pradeshiya Sabha Head Office and 05 Sub Offices. Even though 1 year and 2 months at elapsed after making payment, it had not been carried out the computerized network.	Relevant activities should be completed soon.	Relevant network was being implemented.
(b) A sum of Rs.9,023,000 had been paid for the purchase of soil applied to cover the garbage in the year under review. Normally 22 cubs per day with in the first 4 months and 13 soil cubs per day in last months had been normally applied. 9 soil cubs applied in excess per day in first months and obtaining of measurement of the soil applied had not been carried out.	The supervision of the technical officer and measurement should be obtained for the soil applied.	Excess soil should have been for the laying of garbage unusually high amount f rate.