

**Wariyapola Pradeshiya Sabha  
Kurunegala District**

**01. Financial Statements**

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**1.1 Submission of Financial Statements**

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The financial statements for the year 2019 had been presented to audit on 06 April 2020 and the Summary Report of the Auditor General on those financial statements on 30 June 2020 and Detailed Management Audit Report on 22 July 2020 have been sent to the Chairman

**1.2 Qualified Opinion**

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In my opinion except for the impact of the facts described in the section of the basis for the qualified opinion of this report the financial statements give a true and fair view of the financial position of the Wariyapola 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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| <b>Audit Observation</b>  | <b>Recommendation</b>   | <b>Comments by the<br/>Accounting Officer</b>  |
|---|---|--|
| -----   | -----   | -----  |
| <b>(a)</b> Even though the value of stock of stationery at the end of the year under review was Rs.914,853 it had been shown in the financial statements as Rs. 820,163 . | Actions should be taken to account for accurate values.   | Actions will be taken to correct the final accounts of the year 2020.  |
| <b>(b)</b> The value of the 04 community halls included in the Register of Fixed Assets and the lands on which they are located had not been assessed and accounted for.  | Arrangements should be made to survey the assets of the Sabha and account for through properly documentation. | It is stated that since these community halls and the lands on which they are located are not the property of the Sabha, those have not been assessed or accounted for under fixed assets. |

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|--|---|--|
| <b>(c)</b> The court fines related to the month of December 2019 had not been stated in the financial statements.  | Income should be accounted for.   | Necessary steps will be taken to rectify this in the next year.  |
| <b>(d)</b> The stamp fees received in connection with the previous year had been accounted for as income amounting to Rs.32,545,383 for the year under review and relevant provisions had not been made for stamp duties in the year under review. | Actions should be taken to accurately identify the income related to the year and account for.          | Adjustments for this have been missed in the preparation of the accounts and such shortcomings will not occur from next year.                        |
| <b>(e)</b> Other income related to the year under review had been overstated by Rs. 109,275 .  | Actions should be taken to correct the accounts.  | It is stated that the actions will be taken to rectify in the preparation of accounts of the next year.  |
| <b>(f)</b> Furniture and equipment purchased in the preceding year amounted to Rs. 51,800 and Rs. 46,800 had not been accounted for.   | Actions should be taken to account for the assets accurately.   | Actions will be taken to correct in the preparation of final accounts as at 31.12.2020 .   |
| <b>(g)</b> Although the arrears income at the end of the year was Rs. 7,861,335 it had been stated as Rs. 8,001,116 in the financial statements.   | Actions should be taken to account for the income relating to the year accurately.                      | Necessary steps will be taken to rectify this in the preparation of accounts for the next year.  |
| <b>(h)</b> Relevant evidences had not been submitted to the audit for 05 accounting items totalling to 52,264,400.   | Written evidence confirming the account balances shown in the financial statements should be submitted. | Inventory records of pre-schools and libraries are in those institutions and industry depository and debtor records have been corrected and updated. |

#### 1.4 Non-compliances

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

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Instances of Non-compliances with Laws, Rules, Regulations and Management Decisions are as follows.

| <b>References to Laws, Rules, Regulations and Management Decisions</b>                            | <b>Non-compliance</b>  | <b>Recommendation</b>                                    | <b>Comments of the Accounting Officer</b>   |
|---|--|--|---|
| -----<br>Financial Regulations of the Democratic Socialist Republic of Sri Lanka<br>1645 and 1646 | -----<br>Basic summaries of travel and daily running charts had not been submitted to the Auditor General on the due date. | -----<br>Actions should be taken to submit to the audit. | -----<br>It is informed that the original of monthly summary of the vehicles and the daily running charts of the vehicles will be sent in future. |

#### 1.5 Transactions not Ascertained by Adequate Authority

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| <b>Audit Observation</b>   | <b>Recommendation</b>  | <b>Comments of the Accounting Officer</b>   |
|--|--|---|
| -----<br>The Rural Water Project Account valued at Rs. 58,218, remaining for many years in financial statements, had been written off without formal approval. | -----<br>Actions should be taken to obtain formal approvals. | -----<br>Because there was no relevant information found in this regard and since it was unnecessary to continue this as well actions have been taken to write off through a journal entry. |

## 2. Financial Review

### 2.1 Financial Result

The income over the recurrent expenditure of the Sabha for the year ended 31 December 2019 was Rs. 39,608,022 and the corresponding income over the recurrent expenditure of the preceding year was Rs. 75,100,312 as per the financial statements presented.

### 2.2 Revenue Administration

#### 2.2.1 Estimated Income, Billed Income, Actual Income and Arrears Income

The information on estimated income, collected income and arrears income submitted pertaining to the year under review and the preceding year are shown below.

| Source of Income   | Year 2019          |                    |                    |                                 | Year 2018          |                    |                    |                                 |
|--------------------|--------------------|--------------------|--------------------|---------------------------------|--------------------|--------------------|--------------------|---------------------------------|
|                    | Estimated Income   | Billed Income      | Collected Income   | Total Arrears as at 31 December | Estimated Income   | Billed Income      | Collected Income   | Total Arrears as at 31 December |
|                    | Rs.                | Rs.                | Rs.                | Rs.                             | Rs.                | Rs.                | Rs.                | Rs.                             |
| I. Rates and taxes | 9,841,000          | 9,840,433          | 8,872,119          | 1,567,515                       | 5,546,000          | 6,555,877          | 5,956,675          | 599,202                         |
| II. Lease Rent     | 13,302,045         | 15,389,058         | 13,530,893         | 1,879,630                       | 10,360,000         | 11,049,771         | 11,028,306         | 21,465                          |
| III. License Fees  | 1,244,000          | 1,040,678          | 1,040,678          | -                               | 1,247,000          | 1,108,587          | 1,108,587          | -                               |
| IV. Other income   | 189,536,000        | 169,964,174        | 197,202,412        | 10,576,231                      | 182,630,000        | 228,174,734        | 190,360,264        | 37,814,470                      |
| <b>Total</b>       | <b>213,923,045</b> | <b>196,234,343</b> | <b>220,646,102</b> | <b>14,023,376</b>               | <b>199,783,000</b> | <b>246,888,969</b> | <b>208,453,832</b> | <b>38,435,137</b>               |

#### Note

Within the revenue collected in 2018 and 2019 also included arrears receipts for previous years. Out of the revenue collected in the year 2019, Rs. 38 million was the receipts pertaining to the previous year.

### 2.2.2 Lease Rent

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| <b>Audit Observation</b>   | <b>Recommendation</b>                                 | <b>Comments of the Accounting Officer</b>  |
|--|---|--|
| -----<br>A shop rent amounted to Rs. 1,217,400 from 49 public market shop owners and a shop rent amounted to Rs 328,595 from 31 small shop owners had to be recovered at the end of the year under review. | -----<br>Actions should be taken to collect the rent. | -----<br>This arrears had occurred as a result of the increase in the rent of the shops and non-payment by the shop owners and the Local Government Commissioner has been informed to take a decision on the objections. |

### 2.2.3 Other Income

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| <b>Audit Observation</b>   | <b>Recommendation</b>                                    | <b>Comments of the Accounting Officer</b>   |
|--|--|---|
| -----<br>The revenue to be collected by providing gully, water bowser, backhoe loader, road threshold, dozer and motor grader on a rental basis were Rs.92,150, Rs.57,200, Rs.180,200, Rs.434,200, Rs.212,500 and Rs.146,475 respectively at the end of the year under review. | -----<br>Actions should be taken to recover the arrears. | -----<br>It is stated that necessary steps will be taken to recover the arrears during this year. |

### 2.2.4 Court Fines and Stamp Fees

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| <b>Audit Observation</b>  | <b>Recommendation</b>  | <b>Comments of the Accounting Officer</b>   |
|---|--|---|
| -----<br>The balance of court fines and stamp fees receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2019 was Rs.516,500 and Rs.1,009,605 respectively. | -----<br>Actions should be taken to recover the income and arrears for the year. | -----<br>The arrears of court fines amounted to Rs.516,500 and arrears of stamp fees as at 31.12.2019 has not yet been recovered and it is further stated that there is nothing we can do to make up for that arrears as these are sent by the Chief Secretariat. |

### 03. Operational review

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#### 3.1 Performance

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The matters revealed in respect of executing of functions that should have been performed by the Sabha such as regulation, control, wellbeing of the public, facility and welfare regarding the matters public health, public utility services and public roads under Section 3 of the Pradeshiya Sabha Act are as follows.

#### Failure to Perform Tasks

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| Audit Observation   | Recommendation  | Comments of the Accounting Officer  |
|---|---|---|
| -----<br>Twenty six industries with a budget of Rs. 12,000,000 had not been completed in the year under review. | -----<br>Attention needs to be paid on the performing of budgeted industries. | -----<br>Due to non-receipt of the expected allocations, 26 industries with a budget of Rs. 12,000,000 could not be performed during the year under review. |

#### 3.2 Management Inefficiencies

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| Audit Observtions   | Recommendation  | Comments of the Accounting Officer   |
|---|---|--|
| -----<br>(a) The lessees had handed over 18 shops out of 24 shops in small-scale shopping complex and 04 shops upstairs at the bus stand to other people on rent basis for a higher price than the assessed amount without notifying the Sabha. | -----<br>Arrangements should be made in respect of the agreement violators in accordance with the agreements. | -----<br>It is stated that all the shops owners have been informed about this. |

- |     |  |  |   |
|-----|--|--|---|
| (b) | Formal action had not been taken to recover the total amount of Rs. 28,701,116 over a year or more due from the debtor balance at the end of the year under review.                          | Action should be taken to recover the balance due.                       | I am currently making the necessary arrangements for recovery.  |
| (c) | Actions had not been taken to settle a sum of Rs.35,012,457 out of the balances payable in the accounts as at 31 December 2019 which had exceeded one year or more than that.                | Actions should be taken to settle the balances payable.                  | It is informed that the necessary steps are being taken to settle the balances payable.   |
| (d) | Actions had not been taken to identify the refundable deposits out of the deposits amounted to Rs.7,016,296 as at the end of the year under review and to be refunded or taken into revenue. | Arrangements should be made to refund the deposits or taken into income. | It is informed that the actions have already been taken to the income that can be taken into income from the refundable deposits and arrangements will be made to refund as per the requests on other deposits. |

### 3.3 Human Resource Management

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#### Employee Vacancies

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| <b>Audit Observation</b>  | <b>Recommendation</b>   | <b>Comments of the Accounting Officer</b>   |
|---|---|---|
| -----   | -----   | -----   |
| (a) There were vacancies in 16 approved staff and there were 51 excesses with 25 Development Officers attached by the Department of Local Government and 26 officers recruited for 04 posts under Circular 25/2014 at the end of the year under review. | Necessary vacancies should be filled and excesses should be approved. | It is informed that the necessary actions will be taken to fill the vacancies that can be filled by the Sabha in future and the officers recruited under Circular 25/2014 have been sent to the Department of Management Services for approval. |

- (b) Although, since the salary relevant to the permanent post of the Acting Secretary of the Sabha had exceeded the initial salary scale of the Management Assistant Super Newman Grade , an acting salary was not received, in terms of Section 4 of the letter dated 13 February 2019 of the Secretary of the North Western Provincial Council Public Service Commission, an acting allowance of Rs. 43,482 had been paid from June 2019 to December 2019.
- Actions should be taken to pay acting allowances on formal approval or in accordance with the letter of appointment.
- Since a request has been made to the Public Service Commission to provide an acting allowance as per the Establishments Code, the duty performance allowance has been obtained .

### 3.4 Operational Inefficiencies

| -----<br><b>Audit Observation</b><br>-----  | -----<br><b>Recommendation</b><br>-----                   | -----<br><b>Comments of the Accounting Officer</b><br>-----  |
|---|---|--|
| (a) An income of Rs. 263,850 had lost to the Sabha Fund by charging the same assessed amount for the year 2011, on 31 December 2019 on the objections occurred to the assessment dated 19 July 2019 for the first floor and ground floor stalls of the common market. | Actions should be taken to implement the new assessments. | Although the requests have been made to charge 50% of the assessed value due to protests done by shop owners, it has been asked to reduce the valuation by another 25% from the Valuation Department on disagreeing with it. |
| (b) Although more than 04 years had elapsed for 04 shops on the second floor of the new shopping complex in Wariyapola which was not charged monthly rent for 04  | Actions should be taken to implement the new assessments. | Although the requests have been made to charge 50% of the assessed value due to protests done by shop owners, it has been asked to reduce the valuation by another 25%   |



years, as a result of completion of construction by the lessee, it had lost an income of Rs. 200,000 for the year under review due to non-charge of fees as per the assessment dated 04 July 2019.

from the Valuation Department on disagreeing with it.

- (c) As a result of non-recovery of charges as per the assessment dated 21 February 2019 for 29 ground floor sales stalls and 02 additional sales stalls in the Wariyapola small scale shopping complex, the Sabha had lost an income of Rs. 605,000 by the end of the year under review.

Actions should be taken to implement the new assessments.

Although the requests have been made to charge 50% of the assessed value due to protests done by shop owners, it has been asked to reduce the valuation by another 25% from the Valuation Department on disagreeing with it.

### 3.5 Assets Management

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#### 3.5.1 Non-acquired Assets

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##### Audit Observation

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Ninety two cemeteries used by the Sabha had not been taken over by the Sabha during the year under review as well.

##### Recommendation

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Actions should be taken to acquire the assets.

##### Comments of the Accounting Officer

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The Divisional Secretaries of both the Divisional Secretariats have been made aware to make necessary arrangements for the transfer.

### 3.6 Improper Transactions

| <b>Audit Observation</b>   | <b>Recommendation</b>                              | <b>Comments of the Accounting Officer</b>   |
|--|--|---|
| Weekly fair allowances had been paid Former Secretary of the Wariyapola Pradeshiya Sabha Rs. 2,000 per month and Rs. 10,000 had been paid as weekly fair allowances up to May until the transfer out in the year under review. | Actions should be taken to obtain formal approval. | An allowance of Rs. 500 per week and Rs. 2,000 per month had already been paid with the approval of the Monthly General Assembly. |

### 3.7 Identified Losses

| <b>Audit Observation</b>   | <b>Recommendation</b>   | <b>Comments of the Accounting Officer</b>  |
|--|---|--|
| <p>(a) A loss of 221,440 had occurred to the Sabha on the failure of submission the acceptable quality reasons by the Technical Evaluation Committee to reject minimum bids sent by institutions when buying street lighting equipment .</p> | When selecting a product, the qualitative factors that led to the selection should be included in the technical committee decision. | It is pointed out that the cheaper bulbs have not been purchased as the items are purchased in accordance with the requested specifications. |
| <p>(b) The Sabha had incurred a loss of Rs. 81,157 on the purchase of tires and tubes on the absence of qualitative reasons not accepting minimum prices by the Technical Evaluation Committee.</p>  | Qualitative reasons for selection should be included in the technical committee decision when selecting any product.                | The reasons for not buying at the lowest price were the remoteness of the company's location, the quality and durability of the tires.       |

### 3.8 Procurement

#### 3.8.1 Supplies and Services

| Audit Observation   | Recommendation   | Comments of the Accounting Officer  |
|---|--|---|
| <p>(a) According to Procurement Guidelines 3.6.1 (d) , although the re-orders can be made up to a limit of 50 per cent of the original value, there were the instances of purchasing of electrical equipment has been purchased not to conform to it.</p> | <p>Actions should be taken in terms of the Procurement Guidelines.</p> | <p>It is informed that actions will be taken to arrange storage facilities and purchase the goods at once in future.</p>  |
| <p>(b) There were no confirmations that bids had been submitted for purchases of Rs. 950,400 and the day stamp of the Sabha had not been applied on the day the bids were opened in accordance with Section 6.3.1 (a) of the Procurement Guidelines.</p>  | <p>Actions should be taken in terms of the Procurement Guidelines.</p> | <p>It seems that for some reason, the activities such as using of the day stamp has been missed and steps will be taken to make aware of the officers to act without happening any such shortcomings in future.</p> |

#### 04. **Accountability and Good Governance**

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##### 4.1 **Internal Audit**

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| <b>Audit Observation</b>  | <b>Rcommendation</b>  | <b>Comments of the Accouting Officer</b>  |
|---|---|---|
| -----<br>Although an internal audit was carried out in accordance with Rules 5 (7) of the Pradeshiya Sabha (Finance and Administration) 1988, copies of the internal audit reports in accordance with Financial Regulation 134 (3) had not been submitted to the Auditor General. | -----<br>Copies of internal audit reports should be submitted to the Auditor General. | -----<br>Since the Internal Auditor has been assigned other duties in addition to that duty, a brief report on internal duties is being prepared and it is stated that a copy of the report also was not sent to the audit because of a complete report was not prepared. |