

**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 2019 had been presented for audit on 28 February 2020 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 13 August 2020 and 30 September 2020 respectively.

**1.2 Qualified Opinion**

In my opinion, except for the effect of matters described in the part, 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 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Basics for the Qualified Opinion**

**a) Accounting Deficiencies**

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
i. The amount payable to the Department of Pensions of Rs.6,165,738 as at 31 December 2019 had not been stated under the creditors.	Provisions should be allocated for the value of the creditors.	Inform that it had been corrected by the Journal Entries in the Final Accounts of the year 2019 and accounted all the creditors entries.
ii. The closing stock balance of 07 items in the Electricity Stores Account had been understated by Rs.121,075.	The accurate balance should be accounted.	Inform that the actions would be taken to correct in the future.
iii. Creditors had been overstated as Rs.22,426,671 as at 31 December 2019.	The Accounts should be prepared accurately.	Inform that the actions would be taken to correct in the future.
iv. The Industrial Stock balance of Rs.167,475 as at 31 December 2019 had not been accounted.	All the stocks should be accounted.	Inform that the actions would be taken to correct in the future.
v. The Book value of the Stock of Rs.2,801,906 had	The accurate stock value	Inform that the actions would be

- been accounted as the value of stock other than accounting the physical value of the stock. should be accounted after necessary inspections and reconciliation. taken to correct in the future.
- vi. The cost value had not been capitalized of 92 pieces of lands and 05 items of vehicles and machinery received as donations incurred in the Assets Register. All the assets should be accounted. Inform that the actions would be taken to correct in the future.

**b) Unreconciled Accounts**

Audit Observations	Recommendations	Comments of the Accounting Officer
The difference of Rs.302,701 had been occurred between the employee loan balance of Rs.19,625,03 stated in the Financial Statements and their balance of Rs.19,927,732 stated in the Registers.	The differences should be reconciled and the accounts should be corrected.	Inform that the actions would be taken to correct in the future.

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

Audit Observations	Recommendations	Comments of the Accounting Officer
Accumulated value of Rs.63,763,990 on four items of accounts could not be satisfactorily vouched during the audit due to non rendition of Registers.	The balances should be proved by the Registers.	Inform that the evidence would be presented in the future.

**1.4 Non Compliances**

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

Reference to Laws, Rules, Regulations and Management Decisions	Value Rs.	Non Compliances	Recommendations	Comments of the Accounting Officer
(a) <u>Pardeshiya Sabha Act No.15 of 1987</u>				
i. Section 21		The roads owned by the Sabha had not been recognized according to the Grama Niladari Divisions.	The roads owned by the Sabha should be recognized by Grama Niladari Divisions and surveyed.	Inform that the necessary actions would be taken in the future.

ii. Section 134(1)		Recognition had not been carried out to recover the Rates.	Recognition should be carried out on the rates.	Inform that it had been forwarded to take necessary actions and actions would be taken in the future.
iii. Section 147 and 149		The License Fees from 11 Hotels had been obtained without taking a set of Financial Statements approved by a Chartered Accountant.	The Fees should be recovered on a Financial Statement that had been approved by a Chartered Accountant.	Inform that the fees had been recovered on the Financial Statements approved by a Chartered Accountant.
(b) <u>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</u> F.R. 104	107,830	The necessary actions had not been taken to recognize the liable officers for misplacing 06 items that had been purchased to the Fitness Center.	Action should be taken according to the Financial Regulations.	Inform that an investigation would be carried out and a report would be handed over to the audit in the future.
(c) Gazette No.1533/16 dated 25 January 2008	-	New license had not been issued for 16 Business Instituted even though the Environmental License had been expired.	Actions should be taken according to the Circular.	Inform that it had been inspected The Fuel Consumption on few Vehicles.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented for the year ended 31 December 2019, the excess of revenue over recurrent expenditure of the Sabha amounted to Rs.53,767,301 as compared with the corresponding excess of revenue over recurrent expenditure of the preceding year amounting to Rs.38,032,903.

### 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	2019				2018			
	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.
(i) Rates and Taxes	29,405,717	30,469,726	27,381,982	32,493,461	21,601,133	26,610,745	19,312,803	28,899,074
(ii) Rent	25,209,515	19,221,794	17,655,964	26,775,344	21,609,208	21,217,625	24,357,018	18,469,815
(iii) Licence Fees	7,449,820	2,126,570	2,100,570	7,475,820	46,072,220	4,716,130	4,726,130	46,062,220
(iv) Other Revenue	128,273,445	84,600,000	63,184,250	149,689,195	46,925,713	43,600,000	96,022,118	(5,496,405)
<b>Total</b>	<b>190,338,497</b>	<b>136,418,090</b>	<b>110,322,766</b>	<b>216,433,820</b>	<b>136,208,274</b>	<b>96,144,500</b>	<b>144,418,069</b>	<b>87,934,704</b>

## 2.2.2 Performance in Revenue Collection

### (a) Rates and tax

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
Balance between 01- 05 years of Rs.6,069,521 and the balance over 05 years of Rs.1,581,346 had been in the balance ass at the end of the year under review.	Actions should be taken to recover the Rates income in arrears.	Inform that simultaneous actions would be taken to recover the rates in arrears.

### (b) Business tax

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
i. The arrears in business tax at the end of the year under review of Rs.648,120 had been included arrears less than 01 year of Rs.390,520, arrears between 01-03 years of Rs.212,400 and arrears between 03- 05 years of Rs.45,200.	Actions should be taken to recover the arrears in business tax.	No Comments.
ii. The arrears that should be recovered from Darga Nagar had been Rs.161,760 from 2013- 2018 even though the business tax regarding the year should be recovered at the beginning of the year.	Action should be taken to recover the arrears.	Actions had been taken to recover from some business and actions would be taken to recover the rest in the future.

### (c) Stall rent

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
i. Stall Rent in arrears between 01-05 years at the end of the year under review had been Rs.3,355,830.	Actions should be taken to recover Stall rent in arrears for a long time.	Inform that legal actions would be taken to recover the Stall rent in arrears.
ii. The Stall rent in arrears of Rs.1,793,115 from year 2016- 2019 that should be recovered from 28 Stalls that carrying out business could not be collected because the agreement had been over lapsed.	Action should be taken to recover the arrears.	Inform that the advices had been given to take legal actions and inform that some of the Stalls had been closed.

### 2.2.3 Court Fines and Stamp Duty

Audit Observations	Recommendations	Comments of the Accounting Officer
The Court Fines of Rs.31,007,602 and the Stamp Duty of Rs.79,000,869 had been receivable as at 31 December 2019 that should be recovered from the Chief Secretary and other officials of the Pradeshiya Sabha.	Actions should be taken to recover the Court Fines and Stamp Duty in arrears.	Inform that actions had been taken to recover.

### 3. Operating Review

#### 3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act, such as regularization and control of matters relating to public health, public utility services and public thoroughfares, public comfort, convenience and welfare.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) <b><u>Action Plan</u></b> 144 Projects of Rs.22.9 million had been done out of the action plan during the year under review and a procedure to measure the progress of implementing the projects had not been made.	The Projects should be done according to the annual action plan.	Inform that the Projects had been implemented on the approval of the Sabha.
(b) <b><u>Solid Waste Management</u></b> Disposing the perishable garbage had been outsourced by a service agreement contract even though Sabha had its own Compost yard. Because of not making an agreement with necessary sentences entered, it had been laid soil and used pesticides unnecessarily and spent over Rs.56 hundred thousand on it.	The sentences should be made regularly for laying soil and using pesticides when making the agreement.	Inform that the soil and pesticides had been laid according to the agreement.
(c) <b><u>Targets on Sustainable Development</u></b> i. 06 activities of Rs.1.5 million that had been planned to be done within the year under review according to the Sustainable	Actions should be taken according to the Sustainable	Inform that necessary actions would be taken in the future.

Development Plan had not been done.

Development  
Projects Plan.

- ii. The Progress had not been reported regularly recognizing the production and the beneficiaries even though it had been completed 05 activities.

The Progress of the Sustainable Development should be measured.

Inform that actions would be taken to measure the progress in the future.

### 3.2 Management Inefficiencies

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
(a) No.05 Stall in the new Market Complex had been given on rent for another person without acquiring the back to the Sabha after the death of the prior owner in 1999 and without an agreement or charging rent.	Actions should be taken formally when renting out the stalls.	Inform that an agreement had been made in 1999.
(b) Actions had not been taken to lease out 60 Stalls owned by the Sabha by the end of the month of December 2019.	Actions should be taken to lease out and earn income.	Inform that the stalls would be leased out after certain modifications.
(c) The Charges had not been recovered after a certain inspection on all the hoarding Boards.	The Charges should be recovered after the inspection on Hoarding Boards.	The charges had been recovered from some of the Hoarding Boards and the necessary advice had been given to recover the rest of the boards that had not charged the charges.
(d) A Software system had been brought spending Rs.4,465,000 to network the office work March of 2018 but it had not been installed as at 19 February 2020.	Actions to install the software system for networking should be taken as soon as possible.	Inform that the necessary actions would be taken in the future.

### 3.3 Human Resources Management

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
(a) The Secretary post had been vacant in the Sabha.	Actions should be taken to fill the vacancies.	Inform that an acting Secretary is being working.

(b) One of the posts of two Ayurvedic Doctors approved had been vacant.	Actions should be taken to fill the vacancies.	Inform that requests had been made from the responsible officers about the vacancies.
(c) 10 employees for 05 posts in Secondary Level and 30 employees for 5 posts in primary Level had been vacant.	Actions should be taken to fill the vacancies.	Inform that the necessary actions had been taken on it.
(d) An amount of Rs.15,518,799 had been paid in the year 2019 for 61 Primary Level employees in appointed on Substitute Basis.	The payment should not be made without approval.	Inform that the payments had been made by the Sabha Fund because the Staff had not been sufficient for the Sabha works.
(e) Actions had not been taken to fill the 04 vacancies for Montessori teachers that had been approved but 13 Montessori teachers and Assistants had been appointed on Project Basis and paid rs.1,689,395 as salaries.	Actions should be taken to fill the vacancies and the salaries should be paid after appointing under an approval.	Inform that the Montessori teachers had been appointed and made the relevant Projects reports and forwarded for the Sabha approval.

### 3.4 Operational Inefficiencies

#### Audit Observations

#### Recommendations

#### Comments of the Accounting Officer

License Fees had not been charged for 16 hotels carried out business for the year under review.

The license fees should be charged from the hotels which carrying out business.

Actions should be taken to charge the license fees in the future even though it had been late to obtain the approval for the documents.

### 3.5 Idle/ Underutilized Assets

#### Audit Observations

#### Recommendations

#### Comments of the Accounting Officer

(a) All the Finger Print machines that had been brought for the Head Office and the five sub offices in the year of 2017 Rs.570,000 had been inactive from the year 2019 and the Duplo machine that had been brought of Rs.650,000 had not been in use.

The Assets should be used for the relevant works.

Inform that actions would be taken to submit reports after an investigation.



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| (b) 30 items of goods in the Nenasala center had been idled as at the end of the February 2020.   | Actions should be taken to utilize them.   | Actions would be taken to hand them over to the stores of the Head office for the repairs. |
| (c) 03 Fitness Centers opened by spending about Rs.19,476,880 had been failed to make the expected results because of not appointing instructors and closing them down several times after the year 2018. | Actions should be taken to use the Centers by obtaining the necessary resources. | Inform that the failure to appoint instructors had been the reason.                        |

### 3.6 Vehicles Utilization

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) Actions had not been taken to Dispose 03 vehicles in the Sabha and repair 02 vehicles. Also the tractor that had been handed over to repair in the year 2018 had not been completed the repairs as at February 2020.	Actions should be taken to dispose and complete the repairs.	Inform that the actions would be taken to dispose and complete the repairs.
(b) The Revenue license had not been obtained for the 27 out of 31 vehicles owned by the Sabha as at February 2020 and they had being running 4 number of vehicles without obtaining the insurance certificates.	The running should be done after obtaining the revenue license and the insurance certificates.	Delays had been occurred when repairing therefore the actions would be taken again to hand over the documents again.

### 3.7 Annual Board of Survey

Audit Observation	Recommendation	Comments of the Accounting Officer
A Board of Survey had not been carried out for the years 2018 and 2019.	An annual Board of Survey should be carried out.	Inform that the necessary actions would be taken in the future.