

**Walallawita Pradeshiya Sabha**

**Kaluthara 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 summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 18 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 Walallawita 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 Provisions for Creditors had not been allocated for the amount of Rs.2,952,925 payable to the Department of Pensions at the end of the year under review.	The Accounts should be prepared accurately.	Because this is a low income earning Sabha, provisions had not been made yet.
ii. A Stamp Duty income received for the preceding year of Rs.4,608,010 had been accounted as an income earned for the year under review.	The Accounts should be prepared accurately.	Inform that it would be corrected by the Final Accounts for the year 2020.
iii. The book value of the Stock of Rs.4,001,388 had been accounted as the closing stock of the year other than accounting the physical value.	The Accounts should be prepared accurately.	Inform that it would be corrected by the Final Accounts for the year 2020.
iv. Actions had not been taken to capitalize 03 Water Tanks of Rs.65,537 received as donations.	The Accounts should be prepared accurately.	Inform that it would be corrected by the Final Accounts for the year 2020.
v. A Water Tank of Rs.676,102 and the fence of the crematorium of Rs.64,771 constructed within the year under review had not been capitalized.	The Accounts should be prepared accurately.	Inform that it would be corrected by the Final Accounts for the year 2020.

**b) Unreconciled Accounts**

**Audit Observations**

**Recommendations**

**Comments of the Accounting Officer**

The difference of Rs.6,759,602 had been occurred between the 10 account balances of Rs.29,336,629 regarding stated in the Financial Statements and their Schedules.

The differences in the relevant accounts should be reconciled and corrected.

The mistakes had been done when preparing the Schedules. Inform that it would be corrected by the Final Accounts for the year 2020.

**c) Accounts Receivable and Payable**

**Audit Observations**

**Recommendations**

**Comments of the Accounting Officer**

Actions had not been taken to settle Industrial Debtors balance of Rs.730,688 and Industrial Creditors balance of Rs.960,789 over lapsed for 02 years.

Actions should be taken to settle the balances.

Inform that it would be corrected by the Final Accounts for the year 2020.

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

**Audit Observations**

**Recommendations**

**Comments of the Accounting Officer**

Accumulated value of Rs.28,155,109 on two items of accounts could not be satisfactorily vouched during the audit due to non rendition of updated Fixed Assets Registers and Vehicle Inspection Reports.

The evidence to prove the balances of the Financial Statements should be provided.

Inform that it would be corrected by the Final Accounts for the year 2020 by completing the shortcomings in the Schedules.

**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
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(a) Pardeshiya Sabha  
(Financial and

Administrative) Rules  
1988

	Rule No.218	51,136,549	An inspection had not been carried out at least once a year on the lands and Buildings.	Actions should be taken according to the Pradeshiya Sabha Rules.	Inform that the survey had being carried out on the Lands and Buildings owned by the Sabha.
(c)	<u>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</u> F.R. 571(1) and (2)	1,774,720	Actions had not been taken against the Deposits expired.	Action should be taken according to the Financial Regulations.	Actions are being taken to take all the expired deposits to the revenue.
(c)	Gazette No.1533/16 dated 25 January 2008	-	The Institutions had not been recognized which should obtain the Environmental License.	Actions should be taken according to the Gazette Notice.	The relevant officers are not available to complete this task therefore it would be carried out a full inspection in the future after fillings the vacancy of the post revenue inspector

**2. Financial Review**  
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**2.1 Financial Results**  
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According to the financial statements presented for the year ended 31 December 2019, the excess of expenditure over recurrent revenue of the Sabha amounted to Rs.9,040,598 as compared with the corresponding excess of revenue over recurrent expenditure of the preceding year amounting to Rs.4,716,475.

**2.2 Revenue Administration**  
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**2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue**  
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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	2,648,580	2,745,710	2,301,336	444,374	2,785,796	2,171,699	3,039,076	1,799,048
(ii) Rent	7,762,754	7,179,431	7,179,431	-	262,800	262,800	262,800	-
(iii) Licence Fees	280,000	384,507	384,507	-	90,000	320,679	320,679	-
(iv) Other Revenue	56,027,370	-	5,547,593	-	63,513,839	-	67,872,012	-
<b>Total</b>	<b>66,718,704</b>	<b>10,309,648</b>	<b>15,412,867</b>	<b>444,374</b>	<b>66,652,435</b>	<b>2,755,178</b>	<b>71,494,567</b>	<b>1,799,048</b>

### 2.2.2 Performance in Revenue Collection

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
Rs.6,499 only had been recovered out of the Arrears in Acreage tax at the beginning of the year of Rs.65,849.	Actions should be taken to recover the arrears.	The recovery had been become difficult because the addresses of the land owners could not be found. Inform that the actions would be taken as soon as possible to recover.

### 2.2.3 Meat Stall Rent

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
Actions had not been taken to recover a meat stall rent in arrears of Rs.56,637 coming from the year 2012.	An income in arrears should be recovered.	Inform that actions would be taken according to an inspection held.

### 2.2.4 Stamp fees

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
The stamp fees revenue receivable as at the end of the year under review amounted to 1,391,990	An income in arrears should be recovered.	Schedules of stamp fees for 2019 being prepared.

## 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.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) <b>By-Laws</b> By-laws had been imposed only on 08 matters out of 16 main matters under Section 126 of the Pradeshiya Sabha Act No.126 as at 31 December 2019.	By-laws should be imposed on the matters that had not been imposed the by-laws.	The by-laws imposed only on 08 matters according to the essentials of the Sabha and actions would be taken to impose other by-laws necessarily.
(b) <b>Action Plan</b> i. <u>The deficiencies in making an action plan</u> Regulated Action Plan had not been made with		

<p>relevant time frames according to the cost of each project incurred in the Action Plan.</p>	<p>An accurate action plan should be made.</p>	<p>Inform that an Action Plan would be made correcting the shortcomings for the year 2021.</p>
<p>ii. <u>Not completing the projects in the Action Plan and completing other projects out of the Action Plan</u> 03 Projects had been completed out of the Action Plan and spent Rs.394,108 on it even though 17 Projects had been incurred in the Annual action Plan and not completed any of it within the year 2019.</p>	<p>Actions should be made according to the Action plan. The relevant approvals should be taken if completing a project out of the action plan.</p>	<p>Inform that the planned projects would be completed as soon as the financial situation had been recovered.</p>
<p>(c) <b><u>Targets on Sustainable Development</u></b> A sustainable Development Plan had been made with 11 tasks to accomplish the targets of Sustainable Development for the year 2019 but none of them had been completed.</p>	<p>Actions should be taken according to the Circular and the Guide Lines.</p>	<p>The Financial Status of the Sabha had not been sufficient to complete the tasks even though Sustainable Development tasks had been planned to be done. Inform that actions would be taken to achieve the targets in the future.</p>

### 3.2 Management Inefficiencies

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
<p>Actions had not been taken to renew lapsed environmental licenses of 12 Institutions.</p>	<p>Issue of Environmental licenses should be regularized.</p>	<p>It is informed that the license holders of environmental licenses had been made aware of this. Issue of Licenses had not been made as they have come forward to obtain their licenses.</p>

### 3.3 Human Resources Management

<u>Audit Observations</u> -----	<u>Recommendations</u> -----	<u>Comments of the Accounting Officer</u> -----
<p>(a) <b><u>Employee Vacancies and Excess</u></b> Vacancies had been available for 01 post in the Tertiary Level, 11 posts in the Secondary Level and 10 posts in Primary Level and Excesses had been available in 02 posts in the Secondary Level.</p>	<p>Actions should be taken to fill the essential vacancies as soon as possible and the approvals should be obtained for the excesses.</p>	<p>The appointments for the posts for the Primary Level Posts had been failed to be complete under the Management Circular No.01/2020 and the other pots should be appointed by the departmental level.</p>
<p>(b) <b><u>Employee Loans</u></b> A loan balance of Rs.272,925 that had not been recovered from 12 officers deceased, transferred, retired and left the service .</p>	<p>The loan balance in arrears should be recovered.</p>	<p>Inform that the actions would be taken to recover the loan balances.</p>

**4. Accountability and Good Governance**

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**4.1 Audit Observations not resolved**

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- Actions had not been taken to correct the observations regarding Sections 2.2.1(a) and (e) of my report on the Financial Statements for the year 2018.	----- Actions should be taken to correct.	----- Inform that the corrections would be made in the final accounts for the year 2020.