

**Balapitiya 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 2018 had been presented for audit on 29 March 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 30 May 2019 and 07 June 2019 respectively.

**1.2 Qualified Opinion**

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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 Balapitiya Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year ended in accordance with Generally Accepted Accounting Principles.

**1.3 Basis for Qualified Opinion**

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**(a) Accounting Deficiencies**

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(i) Half pay leave and no –pay leave of Rs.259,184 recoverable during the year under review had not been adjusted in Accounts.	Should be correctly brought to accounts.	Action will be taken to rectify while preparing accounts of 2019.
(ii) Loan of Rs.4,001,170 receivable from Local Credit Development Fund for construction of crematorium of Watugedara had been brought to accounts as capital aids.	Should be correctly brought to accounts.	Action will be taken to rectify while preparing accounts of 2019.
(iii) At the construction of crematorium, Watugedara creditors had been overstated in accounts by Rs.571,152.	Should be correctly brought to accounts.	Action will be taken to rectify while preparing accounts of 2019.
(iv) Retention of Rs.509,401 for industries during the year under review had been brought to account twice.	Value should be correctly brought to accounts.	Action will be taken to rectify while preparing accounts of 2019.

(v)	Stamp fees of preceding year and 2018 received during the year under review which amounted to Rs.5,000,000 had been brought to accounts as General Deposits without crediting to debtors.	Should be correctly brought to accounts.	Action will be taken to rectify while preparing accounts of 2019.
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**(b) Unreconciled Control Accounts**  
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**Audit Observation**  
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The balance of 13 item of accounts shown in financial statements as at 31 December of the year under review and the balances in the related subsidiary registers/schedules differed by an amount of Rs.13,114,886.

**Recommendations**  
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The differences of balances concerned should be reconciled for rectifying the accounts.

**Comments of the Accounting Officer**  
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Action will be taken to rectify in future.

**(c) Lack of Evidence for Audit**  
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**Audit Observation**  
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05 items of accounts aggregating Rs.168,614,377 could not be satisfactorily vouched in audit due to non rendering of necessary information.

**Recommendation**  
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Evidence to confirm the balance shown in the financial statements should be furnished.

**Comments of the Accounting Officer**  
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Action will be taken to rectify in future.

## 1.4 Non Compliance

### Non Compliance with Laws, Rules, Regulations and Management Decisions

	<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Value</b>	<b>Non-compliance</b>	<b>Recommend ation</b>	<b>Comments of the Accounting Officer</b>
(a)	Pradeshya Sabha (Finance & Administration) rule 218 of 1988.	-	Lands and buildings owned by the sabha had not been surveyed even once a year.	Rules should be adhered to	Due action will be taken in future.
(b)	Finance regulation 571 of the Democratic Socialist Republic of Sri Lanka.	16,815,575	Information were not available on deposit balances exceeded 02 years and no action had been taken on matured deposits.	Financial Regulation should be adhered to	Action will be taken to rectify in future

## 2. Financial Review

### 2.1 Financial Results

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.45,365,855 as compared with the excess of revenue over recurrent expenditure of the preceding year amounted to Rs.41,924,230.

#### 2.2.1 Estimated Revenue, Billed Revenue, Revenue Collected and 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	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total in arrears as at 31 Decemb.	Estimated Revenue	Billed Revenue	Collected Revenue	Total in arrears as at 31 Decemb.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates & Taxes	8,130,000	6,988,267	5,003,370	15,106,612	5,830,000	6,685,001	4,814,060	13,121,714
Lease Rent	2,650,000	144,700	963,025	369,164	2,600,000	128,550	96,550	1,187,489
Licence fee	5,581,000	5,530,761	5,540,011	181,030	3,505,000	4,691,833	4,685,583	190,280
Other Revenue	117,455,000	56,565,652	31,528,075	140,400,603	105,350,000	103,132,284	103,132,284	115,363,027
	133,816,000	69,229,380	43,034,481	156,057,409	117,285,000	114,637,668	112,728,477	129,862,510

### 2.2.2 Performance in Collection of Revenue

Audit Observation	Recommendation	Comments of the Accounting Officer
The total revenue recoverable during the year under review had been Rs. 199,091,890 while the collection amounted to Rs. 43,034,481 with revenue collection progress being equivalent to 22%	Early action should be taken to recover revenue in arrears	Action will be taken to recover revenue in future as per Budget

### 2.3.3 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
Rates and Taxes recoverable during the year under review amounted to Rs. 20,109,981 while collection amounted to Rs. 15,106,612. Accordingly, action had not been taken as per Section 158(1) (a) of the Pradeshiya Sabha Act in collecting arrears	Early action should be taken to recover revenue in arrears	Early action will be taken to recover revenue in future as per Budget

### 2.3.4 Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
Formal approval obtained to write off rent	Formal approval	Submit the decision of

income of Rs.875,973 upon decision of the Sabha dated 21 Nov. 2018 had not been submitted to audit.

should be obtained to write off revenue

the Sabha to write off revenue and early action will be taken to recover arrears of revenue.

### 2.3.5 Court Fines and Stamp Fees

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#### Audit Observation

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A sum of Rs.137,672,894 & Rs.2,723,960 as stamp fees and court fines respectively should have been recovered as at 31 December of the year under review from the Chief Secretary and other authorities of the Provincial Council

#### Recommendation

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Early action should be taken to recover revenue in arrears

#### Comments of the Accounting Officer

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Letters have been sent to the Chief Secretary to recover arrears of revenue.

## 3. Operating Review

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### 3.1 Performance

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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, common amenities and public highways, healthy environment of the public facilities, welfare etc.

#### (a) Action Plan

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#### Audit Observation

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An Annual Action Plan had not been prepared for all the tasks to be fulfilled by the Sabha according to the by-laws enacted.

#### Recommendation

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An annual action plan should be prepared

#### Comments of the Accounting Officer

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

**(b) Solid Waste Material Management**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
The Sabha had not a long-term arrangement for solid waste management as per Guideline submitted along with the Gazette Notification No. 2015/53 dated 20 April 2017	A long-term and formal arrangement is essential for disposal of waste material.	Action is being taken to find a suitable state land and to prepare a long term arrangement.

**(c) Sustainable Development Targets**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
The Sabha had not prepared a long-term plan to uplift the living standard and health of the public of the authoritative area of the Sabha by global indicators referred to in the 2030 agenda of the sustainable development relating to sustainable development objectives and targets.	Loan-term plans should be prepared for sustainable development to increase the living standard of the people.	A plan will be formulated in future to increase the living standard of the people in the authoritative area

**3.2 Management Inefficiencies**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
The Local Government Commissioner by his letter No.General dated 15 February 2017 informed to take legal action on unauthorizedly constructed 03 storied building. However the Sabha had not taken necessary action in this regard as per section 52 of the Pradeshiya Sabha Act No.15 od 1987	Legal action should be taken on unauthorized construction	The file has been handed over to Attorney-at-Law of the Sabha to take legal action on unauthorized constructions.

### 3.3 Human Resources Management

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) Action had not been taken during the year under review to fill 11 vacancies in the approved cadre and to regularize 08 excesses.	Action should be taken to fill vacant position and to regularize excess posts.	The post of Community Development Officer is a post made available by the Dept. of Local Government. Action will be taken to regularize the remaining posts.
(b) A sum of Rs.2,077,982 had been spent by the Sabha Fund to pay salaries and wages of 06 employees recruited against Management Services Circular No.28 dated 10 April 2006.	Action should be taken as per provisions of the relevant circular.	Action will be taken to rectify in future under FR.71.
(c) The loan balance recoverable from 08 employees at the end of the year under review amounted to Rs.242,480.	Loan balances in arrears should be recovered	Action will be taken in future to recover loan balances in arrears.

### 3.4 Assets Management

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#### 3.4.1 Non Ensuring the Safety of Assets

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) Action had not been taken to acquire crematorium and the cemetery of Totawaththa, Watugedarawith 02 acres 01 rood and 4.5 perches.	The Sabha should ensure the safety of lands owned by the Sabha.	Action will be taken in future to acquire the relevant assets.
(b) Six families had constructed unauthorized buildings on a part of the land where crematorium of Thotawatta,	Legal Action should be taken against those unauthorized	In pursuance of the discussion already held with the Hon.Minister,

Watugedara located and unauthorizedly residing families in those houses had obtained even water and electricity facilities. However the Sabha had not taken any action.

occupants and ensure safety of lands owned by the Sabha.

action will be taken to provide alternative land to those individuals.

### 3.4.2 Annual Stock Verification

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
The Double Cab taken over by the Army on 24 July 1995 had been returned in June 2007. As it was not in a usable condition recommendation was made to cancel its registration and sale out for iron. That recommendation had not been implemented.	Action should be taken to dispose of idle vehicles.	This vehicle had been returned to the Sabha through the Chief Secretary and action will be taken in future in consultation with him to dispose of the same

## 4. Accountability and Good Governance

### 4.1 Budgetary Control

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Total provision of one Vote amounted to Rs.785,000 had been saved.	Actual estimates should be prepared	Action will be taken to achieve targeted financial progress in the coming year.
(b) Aggregation of the savings of six items of expenditure amounted to Rs.45,257,596, the value of which ranged between 27% - 83%	Actual Estimates should be prepared	Action will be taken to achieve targeted financial progress in the coming year.
(c) Aggregation of adverse variances of 05 items of revenue amounted to Rs.56,320,627, value of which ranged between 22% to 73%	Actual Estimates should be prepared	Action will be taken to achieve targeted financial progress in the coming year.



## 4.2 Internal Auditing

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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No sufficient internal auditing had been done although an Internal Auditor had been appointed as per Circular No.Slg/GO/01/N.C.L Dated 24 February 2014 of the Local Government Commissioner and provisions of FR.133 and 134 of the Republic of Sri Lanka.	Action should be taken as per Financial Regulations and Circulars	Action will be taken to conduct internal auditing in future and submit relevant reports.