

**Agalawatta Pradeshiya Sabha
Kaluthara District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented for audit on 27 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 31 May 2019 and 26 September 2019 respectively.

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 Agalawatttha 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 the Qualified Opinion

a) Accounting Deficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
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(i) Fixed assets purchased during the year under review valued at Rs. 1,318,864 had not been capitalized.	Should be accounted accurately.	Action will be taken to correct.
(ii) Although deposits received in the year according to receipts summary was Rs. 2,176,996 had been accounted as Rs.2,106,024.	Should be accounted accurately.	Action will be taken to correct.
(iii) A sum of Rs.21,076,302 had been written off from the accounts of motor vehicle and cart, and contribution from revenue to capital outlay without identifying.	Should be identified and excluded from the accounts.	No information to confirm the balances.

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| (iv) | The value of two tractors and a skip loader belong to the Sabha revealed at the stock verification of the year under review had not been computed and taken in the Financial Statements. | Correct value should be accounted. | Will be correctly accounted through journal entries. |
| (v) | The equipment of Rs.1,916,000 had been accounted as Rs.19,160,000, | Correct value should be accounted. | Will be correctly accounted through journal entries. |
| (vi) | Action had not been taken to assess and accounted 05 lands shown in the financial statements and 02 lands which were not shown in the Financial Statements. | Fixed assets should be assessed and accounted. | Will be taken to assess the land and accounted in 2019. |
| (vii) | A tractor cost of Rs.347,000 had been stated in the two accounts of motor vehicle and cart and machinery. | Should be accurately accounted.. | Will be corrected by journal entries. |

(b)

Non Reconciliations

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| (c) | There was a difference of Rs. 5,538,022 between the balances of 4 items of assets accounts and fixed assets register. | Should be adjusted by identifying the difference. | Will be corrected by journal entries |
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Suspense Account

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| (d) | Balance of Rs.159,479 of suspense account had not been rectified by identifying and take necessary adjustments. | Should be correctly accounted by identifying the difference. | Rs.112,304 had been identified out of the Rs.159,479 balance in suspense account. It will be accounted by journal entries |
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Lack of Documentary Evidences

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| (d) | Five items of accounts aggregating Rs.33,132,518 could not be satisfactory vouched in audit due to non-remission of stock survey reports and detailed schedules. | Evidences to confirm the balance shown in the financial statements should be furnished. | Related evidence will be furnished in future. |
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(e) **Receivable and Payable Accounts**

Audit Observations	Recommendations	Comments of the Accounting Officer
(i) Action had not been taken to settle the balance of Rs.56,347 received from the year 2017 to develop by laying concrete of Kithulgoda, Nahenakanda Road.	Retention of Rs.56,347 will be obtained from Ministry of Local Authority, and should be taken to pay.	Retention of Rs.56,347 had been requested from Ministry of Local Government.
(ii) Action had not been taken to settle work creditors of Rs 881,491 regarding to the period ranging from 2013 to 2016.	Should be settled old work creditors balances.	Action will be taken to settle work creditors balances existed from the year 2013.

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

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non Compliances	Recommendations	Comments of the Accounting Officer
	Rs.			
(a) Section 134(1) of the Pradeshiya Sabha Act No 15 of 1987	-	Immovable properties situated in an area declared by the Sabha as developed areas where as new identification had not been done for rates	Actions should be taken according to the provisions in the Act	Identification is being doing.
(b) Gazette Notification No. 1533/16 dated 25		Action had not been taken to renewed four environmental licenses.	Should be renewed environment	Institutions were awarded to obtain license.

January 2008

licenses.

(c)	Gazette Notification No. 2049 dated 08 December 2017	22,100	Receivable charges from 14 advertisement boards had not been recovered.	Charges should be recovered.	Advertisement boards that were not paid were removed.
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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.8,635,243 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.16,343,281.

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	Estimated Revenue	Revenue Billed	Revenue Collected	Estimated Revenue	Revenue Billed
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i)	Rates and Taxes	3,232,085	4,050,186	3,012,862	1,037,324	2,638,297	4,426,003	3,507,871	918,132
(ii)	Rent	8,647,000	3,763,782	3,326,869	436,912	8,440,000	3,509,818	3,397,206	112,612
(iii)	License Fees	352,500	313,300	313,300	-	285,000	299,425	299,425	-
(iv)	Other Revenue	10,549,000	17,751,005	11,331,388	14,719,617	10,327,000	19,695,021	9,275,404	10,419,617

2.2.2 Performance of Revenue collection

(a) Rates and Taxes

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) The rates in arrears had been Rs. 840,797 at the beginning of the year under review, out of it only a sum Rs 405,993 or 48 percent had been recovered during the year. The rates in arrears had been	Action should be taken to recover the balance.	A method should followed to recover the arrears income soon.

Rs.1,009,253 at the end of the year, out of arrears a sum of Rs.836,898 or 83 per cent had not been recovered as at the date of 31 May 2019.

- (b) In the balance of arrears of rates at the end of the year under review, there was arrears from 1-3 years of Rs. 557,140, from 3-5 years of Rs. 136,183 and arrears over 5 years of Rs.151,081. Actions should be taken to recover the arrears balances over a long period. A methodology had been followed to recover the arrears income soon.

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

Audit Observations

Recommendations

Comments of the Accounting Officer

Court Fines of Rs 2,719,617 and Stamp Fees of Rs 12,000,000 had been receivable as at 31 December 2018.

Revenue should be recovered.

Schedules prepared and furnished to recover the court fines.

3 **Operating Review**

3.1 **Performance**

Audit Observations

Recommendations

Comments of the Accounting Officer

By laws

Although by-laws have to be imposed under Section 126 of the Pradeshiya Sabha Act in order to perform 16 main instructions, by-laws had been imposed only for 5 functions even up to 31 December 2018.

It should be imposed by-laws for the matters which were not imposed by-laws.

It was stated that had imposed by-laws up to date, further action will be taken to enact the by-laws for the project of vehicle service centre and concrete block project.

3.2 Management Inefficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
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Although a sum of Rs. 42,600 had been recovered from retention money without accurately assess the loss of lack of thickness of development project of Pinnagoda , Navitigala road. It was appeared the problem situation about the existence of road as the project not in proper standard.	Action should be taken to assess and recover the loss.	Contract society was been blacklisted.

3.3 Human Resource Management

Audit Observations	Recommendations	Comments of the Accounting Officer
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(a) According to the information of cadre there were 01 vacancy in each of secondary and primary level.	Action should be taken to fill the vacancies.	It was submitted to obtain approval for recruiting.
(b) Sabha had only 09 drivers and 03 machine operators for operating 25 vehicles.	Action should be taken to new recruitment for vacancies and approved the posts.	It was submitted to approval for recruiting 05 posts of drivers.

3.4 Assets Management

3.4.1 Maintenance and Repairs

Audit Observations	Recommendations	Comments of the Accounting Officer
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Actions had not been taken to repair of 07 roads damaged by flood.	The roads which was damaged by flood should be repaired soon.	Provisions was requested to develop this roads and repair will be done after receiving those.

4. Accountability and Good Governance

Audit Observations not Resolved

Audit Observations

Recommendations

**Comments of the
Accounting Officer**

 1.1.1(e) of the Auditor General's report for
 the year 2011 and 1.1.1(d) and (g) of 2013
 had not been rectified.

 Should be rectified.

 It could not be corrected
 since the information cannot
 be verified.