

Walallawita Pradeshiya Sabha

Kalutara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented for audit on 31 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 June 2019 and 23 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 Walallawita 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 Basics for the Qualified Opinion

a) Accounting Deficiencies

| Audit Observations | Recommendations | Comments of the Accounting Officer |
|---|--------------------------------|--|
| i. The Book Value of Rs.4,727,197 had been accounted as the Stock Value instead of accounting the Physical value. | Should be accounted correctly. | Actions would be taken to account it accurately. |
| ii. The payments of Rs.159,356 for the expenditure of the year under review made in the year 2019 had not been allocated by the provisions in debtors of the year 2018. | Should be accounted correctly. | Actions would be taken to account it accurately. |
| iii. The interest of Rs.241,525 for the Fixed Deposits owned by the Sabha had not been stated in then Financial Statements in the year under review. | Should be accounted correctly. | Actions would be taken to account it accurately. |
| iv. A Garbage Compactor of Rs.2,000,000 received by the Sabha as a donation had been capitalized as Rs.2,549,999. | Should be accounted correctly. | Actions would be taken to account it accurately. |

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|------|--|--------------------------------|--|
| v. | The Industry Aids for the year under review had been overstated by Rs.2,161,130. | Should be accounted correctly. | Actions would be taken to account it accurately. |
| vi. | The Payable amount of Rs.2,967,535 for the Director General of Pensions had not been allocated the provisions for debtors. | Should be accounted correctly. | Actions would be taken to account it accurately. |
| vii. | Assets of Rs.1,790,650 had not been capitalized. | Should be accounted correctly. | Actions would be taken to account it accurately. |

b) Unreconciled Accounts

Audit Observations

Recommendations

Comments of the Accounting Officer

The difference had been Rs.2,145,341 between the accumulated balance of Rs.31,219,253 regarding 05 account balances stated in the Financial Statements and Subsidiary Registers.

The differences should be reconciled and corrected.

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.16,321,132 on four items of accounts could not be satisfactorily vouched during the audit due to non rendition of update Deposits Register and Subsidiary Documents.

Subsidiary Documents and Receipts should be rendered and the Deposits register should be update.

The deposits register had been updated and the Subsidiary documents had been made.

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> Section 134(1) | | The rates had not been realized under a new assessment from the real estate in the areas stated by the Sabha as developed. | New Assessments should be done | Actions would be taken to further establish new rates zones. |
| (b) Gazette No.1533/16 dated 25 January 2008 | | Actions had not been taken to identify the institutes that should hold Environmental license by a Survey | Actions should be taken identify the institutes that should hold Environmental license according to the Gazette. | Actions had been taken to identify the institutes that should hold Environmental license and sent them letters, to regulate this procedure. |

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.4,716,745 as compared with the excess of the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.3,441,905.

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 | Estimated Revenue | 2018 | | | 2017 | | | Total arrears as at 31 December |
|---------------------|-------------------|----------------|-------------------|---------------------------------|-------------------|----------------|-------------------|---------------------------------|
| | | Revenue Billed | Revenue Collected | Total arrears as at 31 December | Estimated Revenue | Revenue Billed | Revenue Collected | |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| (i) Rates and Taxes | 2,785,796 | 2,171,699 | 3,039,076 | 1,799,048 | 2,758,628 | 2,763,598 | 2,980,112 | 1,965,705 |
| (ii) Rent | 262,800 | 262,800 | 262,800 | - | 265,200 | 262,800 | 262,800 | - |
| (iii) License Fees | 90,000 | 320,679 | 320,679 | - | 90,000 | 247,240 | 247,200 | - |
| (iv) Other Revenue | 63,513,839 | - | 67,872,012 | - | 62,076,002 | - | 69,376,907 | - |

2.2.2 Rates and Taxes

Audit Observations

The balance of the arrears rates over 05 year had been Rs.1,240,591 and out of that Rs.1,036,322 had been relevant to the Ittapana Sub Office. Out of that arrears rates, over 05 years arrears rates balance had been Rs.908,687 of 88 per cent.

Recommendations

Actions should be taken to recover the balance rates in arrears soon.

Comments of the Accounting Officer

Actions had being taken to recover it by going on the field and the most of the arrears had been recovered now.

2.2.3 Meat Stall Rent

Audit Observations

Actions had not been taken to recover continuously since 2012 an arrears of Meat Stall Rent income of Rs.56,637.

Recommendations

Actions should be taken to recover the arrears rent.

Comments of the Accounting Officer

It had been failed to find out the place where the Owner of the Meat Stall lives therefore a request had been made to the Commissioner of the Local Authorities and an investigation had being carried out.

2.2.4 Court Fines and Stamp Duty

| Audit Observations | Recommendations | Comments of the Accounting Officer |
|---|--|---|
| ----- | ----- | ----- |
| The Court Fines of Rs.6,333,533 and Stamp Duty of Rs.2,369,135 had been receivable as at 31 of December 2018. | Action should be taken to recover the receivable Income. | The Court Fines receivable for the year 2018 had been sent for the Department of Provincial Revenue to recover and the Stamp Duty received for the year 2019 had been Rs.6,977,145. |

3. Operating Review

3.1 Performance

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|---|--|--|
| ----- | ----- | ----- |
| (a) By-laws Even though by-laws should be imposed on 16 main matters under the Section 126 of the Pradeshiya Sabha Act as at 31 December 2018, the by-laws had been imposed only on 08 matters. | Action should be taken to allocate necessary by-laws on the matters that had not been considered. | By-laws had been imposed on 08 matters and actions would be taken to impose the rest as the necessity. |
| (b) Action Plan i. Road matters on 06 roads should be identified according to the Annual Action Plan but the matters had not been identified and resolved. ii. Rs. 66,626,770 of money expected to expensed by the annual budget had not been explained how it had been included in the Action Plan. | The procedures should be planned according to the Annual Action Plans. The procedures should be planned according to the Annual Action Plans. | The shortcomings would be resolved by the action plan of the year 2019 and the projects mentioned in the action plan of the year 2018 had not been accomplished by the District Secretariat Offices. The shortcomings would be resolved by the action plan of the year 2019 and the projects mentioned in the action plan of the year 2018 had not been accomplished by the District Secretariat Offices. |

(c) **Solid Waste Management**

Rs.1,021,447 and Rs.5,847,778 had been expensed in the year 2017 and 2018 respectively and it had been of 472 per cent increase compared the year 2017. A proper plan process had not been used for the Solid Waste Management as to minimize the expenditure.

A proper Waste Management Plan should be processed during the whole year.

An extra cost should be bare by the Sabha because the Compost Production Machine and the Huller Machines were under repair and to spread the Garbage Collection Process.

(d) **Targets of Sustainable Development**

The Short Term and Long Term Plans for improving the quality of the life and the health of the public by the Targets of Sustainable Development and New Global Indices had not been presented by the Annual Budget and the Action Plan because of the unawareness of the Agenda on the Targets of Sustainable Development 2030.

Actions should be taken to learn about the Sustainable Development Program and make a plan.

The priority had been given about this and made a plan.

3.2 Operating Inefficiencies

Audit Observations

Recommendations

Comments of the Accounting Officer

Actions had not been taken to renew the environmental license expired in 27 institutes and issue new license for 08 identified institutes.

Actions should be taken to renew license expired and issue new license.

Actions had being taken to issue new license for the institutes that should hold the license.

3.3 Human Resources Management

Audit Observations

Recommendations

Comments of the Accounting Officer

a) One post in the Third Level, 08 posts in the Secondary Level and 11 posts in the primary Level had been vacant and 03 posts in the Secondary Level had been excess.

Actions should be taken to regulate the excess and fill the vacancies.

Actions had been taken to review the prevailing whole staff and discuss with the Department Local Government to obtain the sufficient staff.

- b) Loan Balance of Rs 133,123 had been arrears of 07 officers diseased, retired, left the service, and transferred at the end of the year under review. The arrears loan balance should be recovered as soon as possible. 05 out of the 07 officers who should payable the loan balance had been transferred and informed the relevant institutions to recover the balances and the other 02 officers had been retired it had been informed to Department of pensions to recover it from them.

3.4 Procurement

Audit Observations

The Technical Evaluation Committee had not been appointed for the year under review and Purchases had been done through a Purchasing Committee.

Recommendations

The Recommendation of a Technical Evaluation Committee should be taken when purchasing.

Comments of the Accounting Officer

A Technical Evaluation Committee would be appointed in the future.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation

100 per cent had been saved for 21 items of expenditure by the estimated provisions.

Recommendation

The Annual Budget should be made more realistically.

Comments of the Accounting Officer

It had been identified items of expenditures to be given priority than items of expenditures had allocated provisions so the provisions had been changed as to do those programs.

4.2 Internal Audit

Audit Observation

Recommendation

Comments of the Accounting Officer

Even though an Internal Auditor had been appointed but he had been given other responsibilities so an Internal audit had not been planned and done.

An internal audit should be planned and done.

An internal auditor had been appointed without other responsibilities and would be informed to make an internal audit plan and do an Internal audit.

4.2 Audit Observations not Resolved

Audit Observation

Recommendation

Comments of the Accounting Officer

Actions had not been taken to resolve the matter 2.2.1 (a),(b) and (e) of the audit report 2017.

Actions should be taken to correct.

Actions would be taken to correct in the future.