

Agalawatta Pradeshiya Sabhba
Kalutara District

1. Financial Statement

1.1 Presentation of Financial Statements

The Financial Statements for the year 2019 had been presented for audit on 28 February 2020 and the report of the Auditor General on 31 July 2020 and the Detailed Management Audit reports on 30 September 2020 had been sent to the Chairman of the Council.

1.2 Qualified Opinion

In my opinion except for the effect on the matters described under the Section of the basis for the qualified opinion of this report, Financial Statements give a true and fair view of the financial position of the Agalawatta 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 Basis for Qualified Opinion

Accounting Deficiencies

Audit observations	Recommendations	Comments of the Accounting Officer
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(i) Work stock amounting to Rs.42,900 was omission from the financial statements as at 31 December 2019.	Should be accounted correctly.	Noted that it will be corrected during the preparation of final accounts in the year 2020.
(ii) Capital expenditure amounting to Rs.2,321,687 had been shown under Recurrent expenditure.	Should be accounted properly	Noted that it will be rectified during the preparation of the budget in the year 2021.
(iii) Construction of Building in the year under review amounting to Rs.954,085 were omission.	Should be accounted properly	Noted that it will be rectified by the final accounts of the year 2020.

- (iv) 07 motor vehicles and carts valued at Rs.4,785,000 and the Multi chopper machine amounting to Rs.180,000 in the Fixed Assets Register were not Capitalized. Should be Noted that it will be accounted properly rectified by the final accounts of the year 2020.
- (v) Although the Stamp fees to be received amounted to Rs.8,000,000 as at 31 December 2019, it was accounted as Rs.6,096,390 and as such it was understated by an amount of Rs.1,903,610. Should be Noted that it will be accounted properly rectified by the final accounts of the year 2020.

1.4 Non-Compliance

----- Non-compliance of Laws, Rules, Regulations and Management decisions -----

References to the Laws, Rules, Regulations and Management decisions	Value	Non-Compliance	Recommendation	Comments of the Accounting Officer
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	Rs.			
(a) Section 21 of 1987 Pradeshiya Sabha act No.15		The total of the number of roads belonging to the council had not been identified by Grama Sewa division.	The total number of roads should be identified as Grama sewa division.	Noted that Roads belonging to the council had been identified and inventoried.
(b) Gazette Notification No.1533/16 dated 25 January 2008.		Action had not been taken to issue environmental protection license to 18 industries conducted in the year under review.	Action should be taken to issue environmental protection license as according to the Circular.	The relevant action had been taken now.

2. Financial Review

----- 2.1 Financial Results -----

According to the Financial Statements presented, the Recurrent Expenditure over Recurrent revenue of the Council for the year ended 31 December 2019 amounted to Rs.3,173,629 as compared with the corresponding revenue over Recurrent expenditure for the preceding year amounted to Rs.8,635,243.

2.2 Revenue Administration

2.2.1 Estimated Income, Billed Income, Collected Income, and Arrears of Income

The details of the Estimated Income, Billed Income, Collected Income and Arrears of income for the year under review and the preceding year are shown below.

Source of Income	2019				2018			
	Estimated Income	Billed Income	Collected Income	Total arrears of income at 31 December	Estimated Income	Billed Income	Collected Income	Total arrears of income at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
i. Rates and tax	3,227,085	4,310,090	3,674,500	635,590	3,232,085	4,050,186	3,012,862	1,037,324
ii. Rent	2,320,000	2,060,372	1,817,659	242,713	8,647,000	3,763,782	3,326,869	436,912
iii. License fees	320,000	337,150	335,150	2,000	352,500	313,300	313,300	-
iv. Other income	1,700,000	3,052,600	3,034,725	17,875	10,549,000	17,751,005	11,331,388	14,719,617
Total	7,565,085	9,760,212	8,862,034	898,178	22,780,585	25,878,273	17,984,419	16,193,853

2.2.2 Court fines and Stamp duties.

Audit observations

The Court Fines and Stamp fees to be received from the Chief Secretary of the Provincial Council and other authorities at 31 December 2019 were amounted to Rs.618,438 and Rs.8,000,000 respectively.

Recommendations

Action should be taken to recover receivable balances.

Comments of the Accounting Officer

Noted that action had been taken to collect Court fines and Stamp fee sub-registers are being checked.

3. Operational Review

3.1 Performance

Audit observations	Recommendations	Comments of the Accounting Officer
<p>(a) By-Laws</p> <p>Although by laws should be enacted for 16 Main facts as according to Paragraph 126 of the Pradeshiya Sabha Act, yet the council had only enacted bylaws for 05 main facts as at 31 December 2019.</p>	Action should be taken by the council to enact bylaws.	Noted that bylaws will be enacted for 14 main facts and published in the Gazette.
<p>(b) Action plan</p> <p>Although the provisions amounting to Rs.4 million had been done for Council project conducted by Council Members, such projects had not been identified in the action plan.</p>	Projects should be implemented after preparing an action plan as according to the budget.	Noted that action will be taken to rectify in future.
<p>(c) Goals of Sustainable Development</p> <p>Although 16 activities had been entered in to the Plan of Sustainable development for 11 purposes made for a time period of 05 years, only 04 goals among the identified goals were put into action.</p>	Goals of sustainable development should be identified and implemented.	Noted that required action will be taken in future.
<p>3.2 Management inefficiencies</p>		
Audit observations	Recommendations	Comments of the Accounting Officer
<p>(a) Action had not been taken to refund or take into income of Tender Deposits amounting to Rs.140,001 related to the year 2017 and 2018.</p>	Action should be taken to refund or take deposits into income.	Noted that action will be taken to take into income in future.
<p>(b) Although Community Society should be established for each Grama Nialdhari division</p>	Community Society should be	Noted that Community

within the area of authority of the council, 19 Community society had not been established for 34 Grama Nialadari division.

established according to Grama Niladhari division. society will be established as according to the request of the people.

3.3 Human Resource Management

Audit observations

Recommendations Comments of the Accounting Officer

(a) Vacancies

A revenue inspector position, two Heavy machinery operator positions, 03 Field labor worker positions and 02 Health worker positions were left vacant.

Necessary action should be taken to fulfill the vacancies. The matter had been forwarded to the Local government commissioner for necessary action.

(b) Unrecovered Staff loans

Action had not been taken to recover a loan balance of Rs.65,562 to be collected from 04 workers retired or left service during 2016, 2017 and 2018.

Action should be taken to recover. Noted that action will be taken to recover in future.

3.4 Operational inefficiencies

Audit observations

Recommendations Comments of the Accounting Officer

(a) An amount of Rs.440,500 had been collected for 409 children from 08 preschools as admission fees without establishing By-Laws.

Preschool fees should not be collected without establishing By-Laws. Noted that a certified copy of the letter related to the Preschools will be bought forward financial audit reports.

(b) Although the landowner of a 10 perch North of the public section of the stage 01 Greenpark land auction is building a wall, illegally lining a section of a land belonging to the council, yet

Legal action should be taken for the illegal construction. Noted that the advised had been given to stop the illegal

	legal action had not been taken for the illegal construction.		construction.
(c)	Survey of the public land allocated for the community purpose to the council had not been done since the original copies of the Deeds and Plans of the land was not in the possession of the council.	The correctness of the public parts should be assessed and surveyed.	Noted that it will be used for the welfare of the community in future.
3.5	Failure to perform Repair and Maintenance ----- Audit observations ----- Although the Tipper, a Road compactor and a Blade compactor belonging to the council were under repairable condition, such repairs were not done.	Recommendations ----- Repairs should be done for repairable assets.	Comments of the Accounting Officer ----- Noted that the action will be taken to repair in future.
3.6	Procurement ----- Procurement Plan ----- Audit observations ----- Although an amount of Rs.5.5 million was included in the procurement plan for implementation of projects, a detailed procurement plan had not been prepared to implement the way of implementing projects.	Recommendations ----- Procurement should be done after making a timetable and a procurement plan.	Comments of the Accounting Officer ----- Noted that required action will be taken in future.
3.7	Contract administration ----- Audit observations ----- An amount of Rs.86,656 had been paid for separate tests without conducting tests on	Recommendations ----- A core test should be conducted to	Comments of the Accounting Officer ----- Noted that the District Engineer

samples taken for a core test to check the quality of the Ranawiru Priyantha Gunasingha road after a development using concrete.

check the quality of the built road. had given permission for conducting and payments for required tests as according to the Circulars.

4. Accountability and Good Governance

 Unresolved Audit paragraphs.

Audit observations

Recommendations Comments of the
 Accounting
 Officer

 Although the balance to be paid to the Palindanuwara Pradeshiya Sabha amounted to Rs.7,782,632 as according to the financial statements of the Agalawatta Pradeshiya Sabha, yet as according to the Financial Statements of the Palindanuwara pradeshiya sabha, the balance to be collected from the Agalawatta Pradeshiya Sabha amounted to Rs.5,931,815 and as such there was a difference of Rs.1,850,817. Also, according to the Financial statements of the Agalawatta Pradeshiya Sabha, a stated receivable balance amount of Rs.5,342,424 to be taken from the Palindanuwara Pradeshiya Sabha was seen, yet such balance could not be seen in the Financial statements of the Palindanuwara Pradeshiya Sabha.

 Receivable and payable balances between councils should be settled. Noted that it has been decided to settle the balances.