

**Warakapola Pradeshiya Sabha**  
**Kegalle District**

**1 Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2019 had been presented to audit on 02 March 2020 and the summary report and the Detailed Management Report of the Auditor General on the financial statements had been issued to the Chairman on 22 June 2020 and 19 August 2020 respectively.

**1.2 Qualified Opinion**

In my opinion, except for the effects of the 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 Warakapola 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**

	<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a)	Court fines of Rs.3,902,750 received for the year 2018 had been brought to account as the revenue of the year under review.	The revenue relating to the year should be correctly identified and brought to account.	It was brought to account as arrears but not as an amount of the relevant year. Action will be taken to credit the receiving money to the accumulated fund in the future.
(b)	Action had not been taken to capitalize the purchases of capital goods amounting to Rs.23,362,968 shown under creditors as at 31 December 2019.	Action should be taken to capitalize.	Action will be taken to capitalize in the final accounts of the year 2020.
(c)	The discounts of Rs.233,943 allowed for the rates and taxes had not been brought to account in the year under review.	Action should be taken to take into account accurately.	Action will be taken to rectify in the final accounts of the year 2020.
(d)	According to the report of the Boards of Survey in the year under review the value of the fertilizer stock as at 31 December 2019 amounting to Rs.231,075 had not been brought to account.	Action should be taken to take into account.	Action will be taken to account the fertilizer stock in the final accounts of the year 2020.

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|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|
| (e) | The administration fees paid for the stamp fees and court fines received in the year under review relating to the preceding years amounting to Rs.162,400 and Rs.53,078 respectively had been brought to account as an expenditure of the year under review. | The expenditure relating to the year should be correctly identified and should be brought to account.             | Action will be taken in the future to enter the administration fees paid for the stamp fees and court fines as an expenditure of the relevant year. |
| (f) | Consumer goods valued at Rs.58,895 purchased during the year under review had been capitalized under office equipment.                                                                                                                                       | Action should be taken to take into account accurately.                                                           | Action will be taken to rectify in the final accounts of the year 2020.                                                                             |
| (g) | A difference of Rs.39,683,354 was shown between the balance of the non-current assets as at the end of the year under review and the balance of the revenue contribution to capital outlay account.                                                          | Action should be taken to reconcile and rectify the relevant balances of accounts.                                | Action will be taken to rectify in the final accounts of the year 2020.                                                                             |
| (h) | A difference of Rs.51,468,769 was shown between the balance as per financial statements relating to 08 items of accounts and the balance as per the subsidiary registers as at the end of the year under review.                                             | The financial statements and the subsidiary registers should be reconciled and the rectifications should be made. | Action will be taken to find information and to rectify.                                                                                            |
| (i) | The registers and the schedules relating to 04 items of accounts totalling Rs.9,155,400 were not made available.                                                                                                                                             | The adequate evidence should be furnished to confirm the items of accounts.                                       | Accepted that these schedules were not submitted.                                                                                                   |

#### 1.4 **Non-compliances**

##### 1.4.1 **Non-compliance with Laws, Rules, Regulations and Management Decisions**

<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Non-compliance</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) Inland Revenue Act No.24 of 2017 Table 7 of Pay As You	Pay As You Earn Tax of Rs.376,605 receivable from the	Action should be taken to recover Pay As You Earn Tax.	Action will be taken to recover in the future.

Earn Tax. allowances of 11 Members of the Pradeshiya Sabha had not been recovered.

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|-----|-------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (b) | (i) Public Administration Circular No.30/2016 dated 29 December 2016. Paragraph 3.1 | The fuel consumption tests of 07 vehicles belonging to the Sabha had not been carried out.                                                               | Action should be taken in terms of the Circular. | Action will be taken to correct the lapses in the future.                                                                                                                                                    |
| (c) | Circular No.1988/22 of the Commissioner of Local Government dated 17 May 1988.      | Even though the assessment of properties should be made once in 05 years, the rates and taxes had been recovered as per the assessment of the year 2007. | Action should be taken in terms of the Circular. | The requests had been made to the Department of valuation since the year 2017 and accordingly the new assessment had been done in January 2020. The assessments will be done once in 05 years in the 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 2019 amounted to Rs.27,392,493 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.22,730,526.

### 2.2 Financial Control

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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Even though a sum of Rs.43,340 existed in the Environment Account in the People's Bank had remained dormant from 02 years, a suitable action thereon had not been taken.	Suitable action should be taken.	Action will be taken to submit a proposal to the General Meeting relating to that, and action will be taken on the approval of the subject Minister thereon.

## 2.3 Revenue Administration

### 2.3.1 Estimated Revenue, Billed Revenue, Collected Revenue and the Arrears of Revenue

The information relating to the estimated revenue, billed revenue, collected revenue and the arrears of revenue furnished for the year under review and for the preceding year appears below.

Source of Revenue	2019				2018			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
i. Rates and Taxes	9,391,000	9,391,000	7,860,693	1,530,307	8,159,000	8,159,000	6,952,137	1,206,863
ii. Lease Rent	12,540,000	12,540,000	8,977,673	3,562,327	6,718,100	6,718,100	5,959,555	758,545
iii. Licence Fees	3,610,100	3,610,100	2,056,391	1,553,709	1,385,100	1,385,100	1,444,536	(59,436)
iv. Other Revenue	45,961,000	45,961,000	7,653,714	38,307,886	38,804,000	38,804,000	7,318,784	31,485,216

### 2.3.2 Environmental Licence Charges

#### Audit Observation

The renewals of 12 environmental protection licenses which elapsed the due period by 30 July 2019 had not been made. Therefore a revenue of Rs.48,000 had been deprived of by the Sabha; Further a timely evaluation on the effect make to the environment through that businesses had not been carried out.

#### Recommendation

Action should be taken in terms of the National Environmental Act No.47 of 1980 as amended by the Act No.56 of 1988 and the Act No.53 of 2000 and the regulations enacted there under

#### Comments of the Accounting Officer

Attention has been paid at the moment for the process of renewal of licences of the related businesses.

### 2.3.3 Court Fines and Stamp Fees

#### Audit Observation

The court fines receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2019 amounted to Rs.15,273,366 and the balance receivable for over 01 year amounted to Rs.5,774,241. The stamp fees for the year under review were not received while the estimated amount had been Rs.30,000,000.

#### Recommendation

Attention should be paid to recover revenue.

#### Comments of the Accounting Officer

Court fines are often received during the year but there is some delay in receiving stamp duty. Even though, the preparation of court fine schedules was done by the officers of the Sabha, the stamp duty schedules have to be prepared and handed over by the officials of the land office.

**3. Operating Review**

**3.1 Performance**

The matters revealed in respect of the activities that should be carried out by the Sabha such as regularize and control over the matters of public health, public utility services and thoroughfares and comfort, facilities and wellbeing of the people under Section 3 of the Pradeshiya Sabha Act are given below.

**(a) By-laws**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- Action is being taken by the Sabha to draft and pass a new by-law to recover advertisement hoarding charges. But there is a possibility of the Sabha loosing revenue due to the fact that the size of the advertisement that could be published free of charge as per Section 21 of the by-law was not mentioned.	----- Action should be taken to complete the shortcomings and to pass by-laws.	----- The amendment has been included and sent for approval.

**(b) Action Plan**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(i) It was not possible to check whether the action plan had achieved the expected progress due to the non-submission of performance reports that showing the progress of the work done as per the Action Plan prepared for the year under review.	The performance reports should be prepared and presented so that the progress of the action plan could be identified.	In preparing action plan in the year 2019 the measurement criteria could not be included and action will be taken to include measurement criteria in the formulation of future action plans in this regard.
(ii) Except for the generation of new revenue streams under the objectives of the revenue division, no program was included to recover the arrears of revenue.	Action should be taken to recover revenue.	Programs to recover assessment tax and acreage tax were carried out continuously, and accordingly the arrears of revenue of Rs.2,854,578 had been recovered in the year 2019.

(c) **Solid Waste Management**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
-----  In waste management no formal method had been implemented to dispose Solid Waste left overs such as polythene.	-----  A formal methodology should be implemented.	-----  Action is being taken to obtain provisions required for the acquisition of identified land to formulate a formal methodology to carry out final disposal in waste management.

**3.2 Management Inefficiencies**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) Due to the Sabha not having a suitable place to dispose of the gully, the gully disposal service could not be provided to the people.	Action should be taken to find a suitable place to dispose gully waste.	Observations are being made to acquire a land for waste disposal.
(b) The fruit bearing trees of the 4 cemeteries belonging to the Sabha had not been surveyed and documented.	A survey of trees should be done and documented.	Action will be taken to survey of trees in the cemeteries for the year 2020.

**3.3 Human Resource Management**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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There are 20 vacancies and 03 excesses in the cadre as at 31 December of the year under review.	Required action should be taken to complete the essential vacancies.	To carry out the functions of the Sabha continuously and efficiently the recruitments had been made on labour basis and casual basis to certain posts on the requirement of the services. The requests has been made for the vacancies in the approved posts in written but those requests have not been granted.

**3.4 Assets Management**

**Idle Assets**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- Even though, a tractor amounting to Rs.1,200,000 received by the Sabha in the year 2006 had been submitted for the approval of the Governor to auction, it had been recommended to be repaired. However, it was remained idle without being taken any action even by May 2020.	----- Prompt action should be taken to repair and to utilize the tractor.	----- The auction was not approved and action has been taken to repair.

**4. Accountability and Good Governance**

**Unresolved Observations**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- Action had not been taken for vesting of ownership of 65 cemeteries out of 85 cemeteries belonging to the Sabha.	----- Action should be taken to transfer the ownership.	----- The Divisional Secretary has been informed with a proposal of the Sabha to transfer the said ownership to the Sabha as the ownership of those cemeteries belongs to the Divisional Secretary.