

Wanathawilluwa Pradeshiya Sabha

Puttalam District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2017 had been submitted to Audit on 09 March 2018 and the Auditor General's Report relating to those Financial Statements had been sent to the Chairman on 30 October 2018.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Wanathawilluwa Pradeshiya Sabha as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following matters were observed.

- (a) Stamp duty of Rs.413,075 receivable relating to the year 2016 had been understated in the financial statements.
- (b) Receipts of vehicle accidents insurance reimbursements of Rs.237,322 had been credited to the General Deposit Account .

1.3.2 Un-reconciled Accounts

A difference of Rs.362,508 could be observed between the balances according to the subsidiary books/ schedules and the balances as per the financial statements relating to 05 Items of Accounts.

1.3.5 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with laws, rules, regulations and management decisions are given below.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance
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	Rs.	
(a) Pradeshiya Sabha Rules of 1988 (Finance and Administration)		

(i) Rule 5(3)	2,113,010	An internal audit had not been carried out on the revenue collection.
(ii) Rule 5(7)		- An internal audit had not been carried out on transactions relating to stores.
(iii) Rule 33	633,323	A list of the defaulters of the payment of Rates and Acreage tax had not been prepared at the end of each quarter.
(iv) Rule 61		- A survey had not been carried out on the industries, business enterprises and professions.
(v) Rule 64		- A comprehensive examination on the unpaid items referred to in Industry Tax Register had not been carried out every other week to confirm the payments.
(vi) Rules 217 and 218	94.969,642	Documents were not available on lands and buildings belonging to the Sabha and annual survey, as well, had not been conducted.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R. 104.	-	The damages caused to the left side glass of the motor grader belonging to the Sabha on 13 March and 09 September 2017 had not been reported and the responsibility had not been determined.
(c) Treasury Circular No.I.A.I. 2002/02 dated 28 November 2002.	915,286	A register of Fixed Assets had not been maintained relating to the Computer and Accessories belonging to the Sabha.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2017 had been Rs.374,808 as against the excess of revenue over recurrent expenditure for the preceding year amounting to Rs.11,810,047.

2.2. Revenue Administration

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

Details on estimated revenue, billed revenue collected revenue and arrears of revenue submitted relating to the year under review and the preceding year are given below.

Source of Revenue	<u>2017</u>				<u>2016</u>			
	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.000'	Rs .000'	Rs.000'	Rs.000'	Rs.000'	Rs .000'	Rs .000'	Rs .000'
(i) Rates and Taxes	805	814	881	933	818	582	352	1000
(ii) Rents	32,927	2,153	2,026	1,484	33,770	25,169	1824	1357
(iii) Licence fees	325	199	199	-	236	199	199	-
(iv) Other revenue	7,280	52,386	52,824	14,890	6,590	3,743	2932	15,328

Note :- The collected revenue comprised of collections from billed revenue for the year and collections from arrears of revenue in the preceding years.

2.2.2 Performance in the Collection of Revenue

Out the billed revenue of Rs.55.1 million for the year under review , a sum of Rs.42.4 million had been collected during the year and it had represented 76 per cent. Of the arrears of revenue amounting to Rs. 17.6 million existed at the beginning of the year under review, a sum of Rs.13.4 million had been collected and Rs.17.3 million further remained recoverable by the end of the year.

2.2.3 Rates and Taxes

The following matters were observed.

- (a) Action had not been taken to earn revenue by issuing temporary assessments for the building improvements carried out in the area of authority of the Sabha during the year under review and the preceding year.
- (b) Rates had been recovered on the assessments obtained prior to 18 years.
- (c) Action had not been taken to recover the Rates in arrears of Rs.575,507 that had continued to exist exceeding 03 years.

2.2.4 Rents

The following matters were observed.

- (a) Out of the arrears of rents amounting to Rs.292,781 as at 31 December of the year under review, a sum of Rs.115,026 remained outstanding for over a year.
- (b) Out of the arrears of trade stall rents amounting to Rs.1,079,356 as at 31 December 2017 , a sum of Rs.521,000 remained outstanding for over 03 years.

2.2.5 Other Revenue

Action had not been taken to recover water charges of Rs.789,255 relating to the distribution of water from a water unit belonging to the Sabha.

2.2.6 Court Fines and Stamp Duty

Courts fines and Stamp Duties receivable from the Provincial Chief Secretary as at 31 December 2017 amounted to Rs.107,168 and Rs.2,474,577 respectively.

3. Operating Review

3.1 Performance

In terms of Section 3 of the Pradeshiya Sabha Act, the matters revealed in respect of the performance of functions of the Sabha such as regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people within the area.

(a) By Laws

Even though By Laws should have been enacted and discharge relevant functions for the people in terms of Section 126 of the Pradeshiya Sabhas Act, By Laws had been enacted only for 03 functions by 31 December 2017.

(b) Failure to Achive Expected Output

Even though plans had been drawn to lay gravel for 36 roads at an estimated provisions of Rs.6,565,000 and concrete 6 roads at Rs.250,000, gravel had been laid for 03 plnned roads and 12 other roads and only one road had been concreted.

(c) Abandond Works

The programme for the provision of toilet accessories for the low income families had not been implemented and 8 projects worth Rs.10 million and 03 projects worth Rs.2.5 million under the water supply and other utility services had not been implemented.

(d) Environmental Issues

Even though the protection of natural environment of the area is one of the responsibilities included in the mission, the Sabha had not taken any step to protect and develop the lagoon belt and increase the fish resource so as to uplift living standard of the people in the area.

(e) Solid Waste Management

The following matters were observed.

(i) Out of about 05 tons of waste collected daily from the area of authority of the Sabha, amall amount is used for the production of compost and remaining was being disposed of to the environment and covered laying soil on the waste.

(ii) A proper arrangement had not been made to dispose of the hazardous waste, electronic waste and plastic items collected at the garbage collection places.

(iii) An adequate number of employees had not been attached to the compost yard constructed at a cost of Rs.3,807,268.

(f) Sustainable Development Goals

The attention of the Sabha had drawn on various 10 activities as basic steps relating to the achievement of sustainable development goals pertaining to the 2030 “Agenda for Sustainable Development” of the United Nations. Necessary human and physical resources as well as the indicators for the evaluation of the extent of reaching sustainable development goals and targets had not been recognized by the Sabha and interested parties on reaching these sustainable goals too had not been identified.

3.2 Management Inefficiencies

The following matters were observed.

- (a) Since water meters had not been fixed for all the consumer units belonging to the water project maintained by the Sabha, the Sabha had been deprived of a considerable amount of revenue.
- (b) The Acreage Tax Register had not been maintained in an updated manner.
- (c) Since the land and building used by the Sabha had not been lawfully taken over by the Sabha, it had not been possible to initiate legal actions relating to the matters such as recovery of trade stalls rents in arrears.

3.3 Human Resources Management

An officer in Staff Grade was remaining in excess as at 31 December 2017 and there was a vacancy of the post of Revenue Inspector.

3.4 Assets Management

3.4.1 Failure to Carry Out Maintenance and Repairs

Since 75 tube wells belonging to the Sabha had not been properly maintained, those had been damaged.

3.4.2 Idle and Underutilized Assets

The following matters were observed.

- (a) Two tractors, a water bowser totalling Rs.630,000 and another tractor the value of which could not be ascertained had remained idle for more than a period of 02 years.
- (b) The equipment such as electric motors, water pumps, diesel engines worth Rs.600,000 of the water pumping stations had remained idle over a period ranging from 04 years to 07 years.
- (c) The Road Roller worth Rs.7,967,144 owned by the Sabha had been used only in 80.5 meter hours during the year under review and a sum of Rs.137,067 had been spent thereon as compared to the income of Rs.71,720 earned during that period.

3.5 Identified Losses

A stock of library books valued at Rs.70,515 had not been presented to the Board of Survey and lending books worth Rs.71,885 had not been returned.

3.6 Underutilization of Vehicles

Three tractors belonging to the Sabha had utilized only for 723 meter hours during the year under review.

4. Accountability and Good Governance

4.1 Budgetary Control

Twenty one per cent of the total estimated recurrent expenditure and 73 per cent of the capital expenditure had been saved.

4.2 Internal Audit

An adequate audit had not been carried out relating to financial and operating affairs of the Sabha during the year under review.

5. Systems and Controls

The deficiencies in systems and controls revealed during the course of audit were brought to the notice of the Pradeshiya Sabha from time to time and special attention is needed in the following areas of systems and controls.

System -----	Deficiency -----
(a) Revenue Administration	(i) Failure in obtaining new assessments for Rates and improvements
	(ii) Failure in updating the Acreage Tax Register

- (iii) Failure in properly carrying out surveys on business permits.
- (b) Control of Fixed Assets
 - (i) Failure to take over the ownership of the lands.
 - (ii) Non-documentation of all the assets.
- (c) Waste Management
 - (i) Non-implementation of waste recycling unit.
 - (ii) Failure to dispose of waste in environmentally friendly manner.
- (d) Employees Loans
 - (i) Non-maintenance of employees loan registers in an updated manner.
 - (ii) Failure to take steps to recover the employees loans in arrears.