

**Wattala Mabola Urban Council**

**Gampaha District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2019 had been presented for audit on 28 February 2020 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 July 2020 and 18 September 2020 respectively.

**1.2 Qualified Opinion**

In my opinion, except for the effect of matters described in the part, basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Wattala Mabola Urban Council 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 the Qualified Opinion**

**1.3.1 Accounting Deficiencies**

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
(a) The loan installments for the Tractors, Trailers and the Compactor of rs.5,688,750 had been deducted from the Stamp Duty Income and Rs.2,880,000 out of the Stamp Duty Income had been for the year 2020, therefore Loans had been shown less by that value and revenue had been shown more by that value.	The revenue for the year under review should be adjusted to the accounts.	Inform that the loans had been deducted because the cheque received in the year 2020 had been incurred revenue for the year 2019.
(b) The Stack Ledger balance of Rs.2,755,642 had been accounted in the financial statements for the balance stock physical value.	The physical balance should be accounted.	Inform that it would be corrected by the final accounts for the year 2020.
(c) The Capital Aids Receivable had been accounted as Rs.12,060,208 as at 31December 2019 even though it had been Rs.15,573,208.	The Full amount should be accounted.	Inform that all the receivable amounts like Retention Fee, Stationary and Stamp Fees had been removed from the debtors.

- (d) The settlements made on 20 September 2016 of Rs.247,617 had not been adjusted to the prepayments account. The actual amount should be accounted. Inform that balances settled in the year 2016 had been incurred.

### 1.3.2 Unreconciled Accounts

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
A difference had been appeared of Rs.459,960 between 03 items of accounts and its balances stated in the Financial Statements as at 31 December 2019.	Actions should be taken to compare those differences and correct.	Inform that it had been forwarded to the Commissioner of Local Government to make the corrections by the final accounts of the year 2020 and make the accounts correct.

### 1.3.3 Payable Accounts

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
The amount of Rs.16,196,170 for the time during October 2017 to 30 September 2019 on the disposal of Garbage had not been accounted or settled.	Actions should be taken to account and settle.	Inform that even though it had not been paid the fees from the year 2017 a suspension had not been done.

### 1.3.4 Lack of Necessary Documentary to Evidence for Audit

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
02 Account balances totaled to Rs.99,186,552 as at 31 December 2019 could not be satisfactorily vouched during the audit due to non rendition of the schedules.	Evidence to confirm the balances of accounts in the financial statements should be furnished.	Inform that it had been forwarded to the Commissioner of Local Government to make the corrections.

## 1.4 Non Compliances

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

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<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Non Compliances</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
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(a) <u>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</u> F.R 103(1) and 104(1)	A Primary investigation had not been carried out on the matter revealed about the former Store Keeper who had taken some amount of material on 07 <sup>th</sup> August 2019 without an approval and the quantity had not been defined.	The investigations should be started to find out the liable parties.	Inform that the Commissioner of Local Government had been informed to carry out primary investigation.
(b) The Commissioner of Local Government Circular No.LED/13/2016 on 09 November 2016	The fish stall in Mabola had been leased out for 05 years from 01 February to 31 January 2024 and a Stall in Hendala Shopping Complex had been leased out from 17 December 2014 until it had been demolished.	Agreements should be made within the suitable time periods.	Inform that actions are being taken to lengthen the time periods and make agreements.

## 2. Financial Review

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### 2.1 Financial Results

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According to the financial statements presented, the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2019 amounted to Rs.45,215,921 as compared with the excess of recurrent expenditure over revenue of the preceding year amounting to Rs.43,238,320.

### 2.2 Revenue Administration

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

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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	2019			Total arrears as at 31 December	2018			Total arrears as at 31 December
	Estimated Revenue	Revenue Billed	Revenue Collected		Estimated Revenue	Revenue Billed	Revenue Collected	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
(i) Rates and Taxes	56,535	56,510	54,277	37,991	56,065	56,198	46,935	40,944
(ii) Rent	14,663	12,004	17,550	9,398	14,600	11,467	15,357	10,076
(iii) Licence Fees	770	1,189	1,234	-	400	835	872	-
(iv) Other Revenue	93,580	-	42,073	-	82,878	85,277	85,277	-
<b>Total</b>	<b>165,378</b>	<b>-69,703</b>	<b>115,134</b>	<b>47,389</b>	<b>153,943</b>	<b>153,777</b>	<b>-148,441</b>	<b>51,020</b>

## 2.2.2 Rates and Tax

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) <b><u>Rates</u></b>		
i. Rates had not been charges from the property No.672 at the Negombo side of the Colombo Negombo Main Road for the year 2019.	Rates should be charged as a Business Place.	Inform that it had been listed as a land.
ii. The rates should be charged over 03 years amounted to Rs.21,617,184 according to the time analysis as at 31 December 2019.	Actions should be taken to recover the arrears.	Actions would be taken to collect in the year 2020.
(b) <b><u>Business tax</u></b>		
Action had not been taken to recover the Opening balance in arrears business tax amounted to Rs.1,472,327	Actions should be taken to recover the arrears.	Inform that actions would be taken to realize the arrears from the Tax Registers.

## 2.2.3 Rent

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) 21 stalls had been leased out without agreements.	Actions should be taken to build agreements.	Inform that actions would be taken to make agreements or acquire

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| (b) The time periods had been expired on 42 stalls between the years 2007 to 2018 even though they made agreements and actions had not been taken to renew the agreements.                     | Actions should be taken to build agreements.    | Inform that the time given to sign agreements had been lengthened due to the Covid situation. |
| (c) The arrears in rent from 92 stalls in Station Road, Hendala, Wattala, Mabola as at 31 December 2019 amounted to Rs.6,219,529 and it had been recovered only Rs.210,635 as at 11 June 2020. | Actions should be taken to recover the arrears. | Inform that actions would be taken to regulate.   |

#### 2.2.4 License Fees

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Audit Observations	Recommendations	Comments of the Accounting Officer
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The License had not been issued on 21 places including a shoes manufacturing factory who should obtain Environmental Security License.	Legal actions should be taken to issue against the institutes who did not took the license.	Inform that a fair time period had been offered to make the conditions correct.

#### 2.2.5 Other Income

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Audit Observations	Recommendations	Comments of the Accounting Officer
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The disposal of garbage had been carried out continuously even though the garbage disposal charges had been arrears from 254 Institutes of Rs.5,898,415 as at 31 October 2019 for time between 15-54 months.	Actions should be taken to recover the arrears.	Inform that actions would be taken legally to recover the charges for the disposal of garbage that could not be collected.

### 3. Operating Review

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#### 3.1 Performance

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The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 4 of the Urban Councils Ordinance, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

(a) **Annual Performance Plan**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
The need implementing an Electronic System of Local Government incurred in the Annual Performance Report had not been completed.	Activities should be completed according to the Annual Performance Plan.	Inform that a new website is being created.

3.2 **Management Inefficiencies**

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
a) The recommendation of the Gampaha District Commissioner of the Department of Agrarian Development as a large track of land had not been obtained according to the orders of the Committee on Public Accounts held on 07 November 2019 on selling the 79 perches land where the Sabha had located and renting the lands and buildings owned by the Sabha.	Actions should be taken under the recommendations of the Committee on Public Accounts.	Inform that the Commissioner of the Department of Agrarian Developments had been informed through the Secretary of the Local Government.
b) The matters discussed in the Committee on Public Accounts held on 07 November 2019 had not been completed like the construction of a building on the 79 perches land owned by the Sabha connected with a land owned by another institution, not making suitable partitions for the land dividing the building and the land and not putting a notice board to reveal as a land owned by the Sabha, eliminating the building built and the machinery and equipment in that land, and acquire the clear possession of the land.	Actions should be taken under the recommendations of the Committee on Public Accounts.	Actions are being taken to acquire the clear possession.
c) The Rent for the Quarters of Rs.69,399 that should be charged from two retired and transferred officers had not been recovered.	Actions should be taken to recover the rent for the Quarters.	Inform that it had been noticed to recover the rent for the quarters and the arrears.

### 3.3 Operational Inefficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
a) Rs.851,034 had been paid for the contractor regarding damages made on 55 instances for the roads in Wattala Mabola without using the labourers of the Sabha even though it had been charged Rs.222,590.	It should be used the road labourers recruited.	Other tasks had been done additionally making damaged roads.
b) Even though the letter of the Additional Secretary of Local Government on 10 May 2012 had been stated that the lease rent should be amended every 05 years for the Local Governments, the rent on the Stalls at the Hendala Shopping Complex had been last assessed in year 2008 and that assessment had been implemented in the year 2019. The Stalls in Kattiyawatta, Station Road, Mabola Shopping Complexes had not been assessed.	The lease rent should be assessed every 05 years.	The assessment made in the year 2008 had not been implemented up to now therefore the agreements had been updated under that.
c) A Stall at Station Road had been leased out for 15 years from 07 August 2013 even though it had been decided to lease for 05 years from 30 July 2013 according to a decision taken by the Sabha. Although the rent in arrears as at the end of the year under review had been Rs.141,693.	Actions should be taken to recover the arrears and it should not be given on long term lease.	Inform that actions would be taken to find out the shortcomings of the agreements and make corrections.
d) Katakalgaha Land or Balahenawatta, the Common Market Land in Mabola Village, Kahatagaha Kumbura land located in Hedala Junction and the land where the common market located at Wattala Hedala Junction had been given on lease for 30 years and the agreements had been made as to be able to lengthen the agreement by 20 years at the end of the time. Also a tender procedure had not been followed or	The agreements should be made favorable to the Sabha.	Inform that the lands had been leased out under the Circular No.1986/6.

no condition had been entered in the lease agreement even though it should be assessed the lease rent every 05 years therefore a revenue had been lost that should be received by the Sabha.

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| e) The provision, that the rent should be assessed every 05 years, had not been incurred in 02 instances when leasing out the lands. | The provisions should be incurred in the lease agreements as to amend the lease rent every 05 years. | Inform that actions would be taken to forward after obtaining the necessary details from the Urban Development Authority. |
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### 3.4 Procurement

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#### 3.4.1 Contract Administration

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##### Audit Observations

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Rs.963,841 had been paid to an private institution to lay interlock stones to the Suduwella Road but according to the physical measurements made on 27 November 2019 it had been over paid Rs.33,502 for 10.69 metres.

##### Recommendations

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The payments should be made on the accurate measurements.

##### Comments of the Accounting Officer

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Inform that the measurements had been taken by few places because the width of this road is different.