

Wattala Pradeshiya Sabha
Gampaha District

1. Financial Statements

1.1. Presentation of Financial Statements

The financial statements for the year under review had been presented for audit on 23 March 2016 and the financial statements for the preceding year had been presented on 30 March 2015. The report of the Auditor General for the year under review was issued to the Secretary of the Sabha on 29 June 2016.

1.2. Qualified Opinion

Except for the effects on the financial statements of the matters referred to in Paragraph 1.3 of this report, I am of opinion that the financial statements have been prepared in accordance with the Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Wattala Pradeshiya Sabha as at 31 December 2015 and the financial result of its operations and cash flows for the year then ended.

1.3. Comments on Financial Statements

1.3.1. Accounting Deficiencies

The following deficiencies are observed.

(a) The value of books amounting to Rs.25,000, purchased for the library during the year under review, had not been brought to account.

(b) During the year under review, the general supplies creditors had been brought to account understating the amount by Rs.18,000.

(c) During the year 2015, the Sabha had purchased 05 four-wheel tractors and 02 two-wheel hand tractors at a cost of Rs.7,320,485, and Rs.79,000 and Rs.13,960 had been paid respectively to the organization from where the tractors were purchased, to facilitate the registration of these 07 tractors. This expenditure had been written-off as a recurrent expenditure, without being capitalised.

(d) 05 air-conditioners had been purchased for the head-office premises at a cost of Rs.419,599. Additional equipment amounting to Rs.84,864 had been purchased to install these air-conditioners, and this expenditure had been written-off under recurrent expenditure, without being capitalized.

1.3.2. Contingent Liabilities

05 court cases including 03 court cases filed against the Sabha and 02 court cases filed by the Sabha, had been progressing as at 31 December of the year under review. A sum of Rs.304,650 had been paid as lawyers' fees for these court cases during the year under review. These court cases included cases filed for not paying the employees provident fund and for not issuing the trade licences, and contingent liabilities regarding these had not been disclosed in financial statements.

1.3.3. Lack of Evidence for Audit

Transactions totalling Rs.120,101,222 could not be vouched satisfactorily during the audit, due to non-submission of required information to audit.

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 2015 amounted to Rs.28,449,889 as compared with the excess of revenue over recurrent expenditure amounting Rs.60,537,699 for the preceding year.

2.2. Financial Control

Fixed deposits valued at Rs.10,000,000 as at 08 June 2015, and 04 seven-day deposits totalling to Rs.2,669,150, carrying forward since the year 2013, totalled to Rs.12,669,150. It was observed that, if these seven-day deposits were invested in long-term fixed deposits, it would have been more economical and effective.

2.3. Revenue Administration

2.3.1. Estimated Revenue, Actual Revenue and Revenue in Arrears

The information submitted by the Secretary with respect to the Estimated Revenue, Actual Revenue and Revenue in Arrears relevant to the year under review are indicated below.

Item of Revenue	Estimated Revenue Rs.000,	Actual Receipts (Relevant to the Year Rs.000,	Cumulative Arrears as at 31 December Rs.000,
Rates and Taxes	87,098	76,603	96,470
Lease Rent	5,841	5,380	7,419
Trade Licence	2,266	2,448	785

The main targeted revenue of the Sabha in the year 2015 had been rates and taxes, rent from trade locations and lease rent, and the Sabha had failed to collect this targeted revenue, as well as to recover the revenue in arrears.

2.3.2. Rates and Taxes

The following matters are observed.

- The Department of Valuation had not carried out an assessment of properties, after the year 2008. The total number of rates and taxes units in three sub-offices was 62,179, whilst the Revenue Controller had made a temporary revision in respect of 103 properties.
- The value of rates and taxes in arrears in respect of 1,276 units belongs to Hendala sub-office that had been identified in the year 2008 as legally not recoverable, amounted to Rs.917,747, and the approval had not been obtained to write-off the amount from the registries.
- The rates and taxes revenue in arrears as at 31 December 2015 amounted to Rs.96,010,102 and this contained a sum of Rs.66,612,688 which had been due for a period of 1 to 10 years, and the Sabha had not taken action, to recover this amount.
- The rates and taxes revenue in arrears which had been due for a period of 1 to 10 years amounted to Rs.66,612,688 and out of this; 61% belonged to Hendala sub office; 24% belonged to Welisara sub office; and 16% belonged to Pamunugama sub office.

2.3.3. Business Taxes

- a) The value of unrecovered business taxes due for a period of over 5 years as at 31 December 2015 amounted to Rs.243,270. Out of this, Rs.204,350 had been in arrears for a period of over 10 years and the approval had been requested to write-off this from the registers. But the approval had not been received.
- b) The balance in arrears of business taxes exceeding a period of 05 years amounted to Rs.702,460 at the Hendala sub office, and the balance in arrears exceeding a period of 1 to 3 years amounted to Rs.104,000.

2.3.4. Lease Rent

The balance of rent in arrears in respect of the Trading Complex of Hendala sub-office as at 31 December 2015 amounted to Rs.6,618,930. This included; a balance of Rs.1,009,838 due for a period of 1 to 3 years; a balance of Rs.3,787,673 due for a period of 3 to 5 years; and a balance of Rs.919,496 due for a period of over 5 years.

2.3.5. Trade Licences

The trade licence fees in arrears as at 31 December 2015 amounted to Rs.784,805 and this balance included, Rs.406,000 which had been in arrears for a period of over 10 years and the approval had been requested, to write-off this from the financial registers.

2.3.6. Other Revenue

- a) The balance in arrears receivable from the Transmission Tower of Hendala sub-office as at 31 December 2015 amounted to Rs.74,407. This balance had been carrying forward since the year 2013, and no action had been taken to recover this.
- b) According to the Gazette Extra Ordinary Notification No. 1597/8 dated 17 April 2009, of the Republic of Sri Lanka, the fees should be charged from Telephone/Telecommunication Towers located in the areas under the purview of the Urban Development Authority Act. But only 5% of the annual value had been recovered in respect of Telephone/ Telecommunication Towers in the areas under the authority of the Pradeshiya Sabha.

3. Operating Review

3.1. Idle and Underutilized Assets

- (a) 07 in number old vehicles belong to the Sabha, for which the value could not be identified had not been utilised, and these vehicles were getting eroded year by year without taking action to repair or dispose them. This matter had been pointed out in previous audit queries, and it had been recommended in the goods verification report of 2014 that further action should be taken after obtaining the services of a mechanical engineer. But action had not been taken accordingly during the year under review.
- (b) 13 stalls of the Kerawalapitiya Trade Complex belong to Hendala sub office had been kept closed since the year 2012.

- (c) The Crew Cab, Tipper Truck and Backhoe Loader received as donation from the Ministry of Local Government and Provincial Councils in the year 2015, had not been vested with the Sabha even as at the date of the audit which was carried out on 30 September 2015, whilst the Crew Cab had been underutilised.
- (d) The Backhoe Loader received as donation on 02 July 2015, had been idling even as at the date of the audit which was carried out on 30 September 2015.

3.2. Operating Inefficiencies

The following matters are observed.

- (a) The Fire Truck valued at Rs.2,158,358, received as donation from the International Loins Club in the year 2000, had been informally handed over to Sri Lanka Navy, Welisara on 05 November 2003. This had not been taken back by the Sabha even as at the date of the audit which was carried out on 30 September 2015. Commander of the Navy had informed back to the Sabha, that the internet scrutiny of the registrations of vehicles maintained at Motor Traffic Commissioner's Department had revealed that the vehicle relevant to this registration number belongs to the University of Kelaniya. Therefore it was not possible to establish the condition and the whereabouts of the Fire Truck.
- (b) The Mitsubishi Cab given to the Sabha by the Ministry of Finance, had been taken away by the Army on 13 July 1995 and returned to the Sabha in an unusable condition on 02 February 2008. The ownership of this vehicle had not been vested with the Sabha, and it had not been disclosed as a fixed asset in the financial statements of the Sabha. On 06 October 2012, the Mechanical Engineer of the Provincial Road Development Authority, had recommended to dispose of this vehicle at the assessment value of Rs.125,000 as the Sabha has to incur a huge cost to repair the vehicle, whilst in the goods verification report of 2014 it had been recommended, either to auction or to repair the vehicle. But the above recommendations had not been implemented even as at the date of the audit, which was carried out on 30 September 2015.

3.3. Contracts Administration

The following matters are observed.

- (a) Though 35 projects valued at Rs.34,000,000 had been approved under the 100-days special development project, 02 projects out of this had been cancelled. The Sabha had received money for 23 completed projects. There had been 08 works at the commencement and agreements had not been entered into in respect of 02 projects valued at Rs.2,000,000.
- (b) 05 projects involving the renovation of rural roads and rural bridges had been approved under *Dorin Dorata Gamin Gamata* programme, in the year 2014 and continued in the year 2015. Though Rs.2,577,500 in respect of these 05 projects had been forwarded for reimbursement, it had not been reimbursed even as at 31 December 2015.
- (c) 200 galvanized pipes had been purchased at Rs.465,000 on 12 January 2015, whilst 340 galvanized pipes had already been received from the Ministry of Local Government on 16 November 2014

- (d) 13 vehicles valued at Rs.2,273,896 had not been physically existed in the Sabha as at 31 December 2015. Action had not been taken; to appoint a board of survey in respect to this; obtain the recommendation; and to write-off them from the accounts.

3.4. Management Inefficiencies

The following matters are observed.

- (a) The cheque amounting to Rs.974,800 received in respect of the rent in arrears for the recreation hall in the trade complex, had been dishonoured on 09 June 2009, and legal action had not been initiated regarding this, even as at the date of the audit which was carried out on 31 March 2016.
- (b) 1808 roads within Wattala area had been inventoried as Hendala, Welisara, Pamunugama. These roads had not been categorised and identified separately, as concrete, gravel and tarred, whilst the road registers had not been updated during the years 2014-2015. Though the proposals regarding the publishing of roads in the gazette had been approved on 06 November 2013, the 524 roads belong to 13 Gramaseva Divisions within the authority of the Pamunugama sub-office, that should have been gazetted, had not been gazetted and vested with the Sabha.

3.5. Solid-Waste Management

The Sabha had paid Rs.170,040,180 for disposing of waste during the year under review, and the following matters are observed.

- (a) Though 15-16 tons of waste is collected per day within the authority of the Sabha, only 5-6 tons of waste had been disposed of to the biogas unit.
- (b) The biogas generating project with the capacity of 8 tons, constructed by NERD Institute in the year 2002 had remained non-operative for a long period.
- (c) The Secretary of the Sabha had participated in a workshop in Malaysia regarding Urban Waste Management and Rs.130,000 of the Sabha funds had been spent for this. But whether the knowledge, skills and attitudes gained from it had contributed to the mission of the organization had not been established.
- (d) 06 tractor loads are finally disposed of to a land in Awarakotuwa, Hendala. Since the land is situated in a village, it was observed that the disposal is carried out amidst public protest. Further, converting of waste into fertilizer had not been carried out at the location.
- (e) The Sabha had not implemented the work which should be implemented by the Sabha in accordance with the Bylaws relevant to solid-waste management promulgated through the Part IV(A) of Gazette Extra Ordinary Notification No. 1713/11 dated 05 July 2011 of the Republic of Sri Lanka.

4. Systems and Controls

Special attention is needed in respect of the following areas of systems and controls.

- a) Budgetary Control
- b) Revenue Administration
- c) Asset Management
- d) Control Over Contracts
- e) Solid-waste Management