

Wattala Pradeshiya Sabha

----- Gampaha District -----

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented for audit on 29 March 2019 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 June 2019 and 16 September 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect 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 Wattala Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year there ended in accordance with generally accepted accounting principles.

1.3 Basis for qualified opinion

Audit observation	Recommendation	Comments of the Accounting officer
(a) The stock of stories of Rs. 6,765,400 shown in the stock verification report had been shown as Rs. 7,218,352 in the financial statements thus overstating the accounts by Rs. 452,952	The value of stock verification should be adjusted in the accounts	Will be rectified in future
(b) Motor car and carts account had been understated by Rs. 8,226,000	Correct value should be accounted.	Accounted as per previous instructions of the Department of Local Government when it offered a cab previously.
(c) Six creditors had been overstated by Rs. 392,151 in the accounts.	Correct value should be accounted	Will be rectified in future
(d) Provision had not been made for compensation of Rs. 164,254	Contingent liability should be shown in	Provision for contingent liability

(Provident fund) payable to an employee of the Sabha as per judgement of court houses Wattala and Negombo in 2016.

the financial statements by means of a note

could not be made due to the lack of knowledge of lady Development Officers who deals with cases and the subject concerned.

(e) Difference of Rs. 8,273,239 was observed between the aggregated balance of 03 items of accounts and the related balances in the subsidiary registers.

The differences of related balances should be reconciled and rectified

Rectification of balances cannot be done in a short period. Non reconciliation will be identified and furnished to audit.

1.4 Balances Receivable

Audit observation

Recommendation

Comments of the Accounting officer

(a) The balances of debtors as at 31 December 2018 included Rs. 974,800 over 10 years and Rs. 1,257,282 of 1 to 3 years.

Action should be taken to recover balances receivable.

Accepted

(b) The balances of creditors of Rs. 155,144,953 as at 31 December 2018 included Rs. 64,774 of 3-5 years, Rs. 2,901,962 of 1-3 years and Rs. 152,178,217 less than one year

Action should be taken to recover balances payable.

Action will be taken to rectify in future.

(c) The sum of Rs. 420,833 receivable for work since 2016 had not been received even by 24 May 2019.

Action should be taken to recover balances receivable.

Action will be taken to rectify in future.

1.5 Non-compliance

1.5.1 Non-compliance with Laws, Rules, Regulation and Management Decisions

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Recommendation	Comments of the Accounting officer
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(a) Pradeshiya Sabha Act No. 15 of 1987 Section 219	Any member or employee of the Sabha should not have any financial connection with agreements or work of the Sabha. However, the hall for conducting ceremonious had been given on least to the wife of a member and Rs. 974,800 was due from her as arrears of lease rent since 30 May 2009.	Should act according to the law	Comments not furnished.
(b) Financial Regulation 571 of the Democratic Socialist Republic of Sri Lanka	Action had not been taken regarding lapsed deposits of Rs. 2,385,615	Should act according to the Financial Regulation.	Action will be taken to rectify in future.

1.5 Financial Review

Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2018 amounted Rs. 93,428,047 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs. 78,739,806.

2.2 Financial Control

Audit observation

Although the Sabha should have the objective to spend its fund in a planned manner so that the public could achieve maximum benefit, Rs. 64.16 million of the Sabha had been invested in 20 fixed deposits.

Recommendation

Funds should be utilized for welfare of public of the area.

Comments of the Accounting officer

This money had been invested in fixed deposits so that it could be used in instances of financial difficulties.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Revenue billed, Revenue collected and the Arrears of Revenue

The information relating to 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	2018				2017			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total Arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	78,650,700	87,885,932	95,446,728	58,992,564	76,075,000	81,917,156	65,391,546	66,553,360
License Fees	2,700,000	2,160,330	2,160,330	-	2,450,000	2,756,085	2,756,085	-
Rentals	4,000,250	4,508,171	4,981,498	6,072,119	5,372,100	4,714,085	3,790,633	6,545,445
Other Revenue	148,821,550	183,357,043	183,357,043	-	140,986,800	134,672,205	134,672,205	-

2.3.2 Rates and Taxes

Audit observation

(a) Out of the arrears of Rs. 66,553,360 at commencement of the year a low percentage of 11.4 had been recovered during the year.

(b) The arrears of balance of rates amounting to Rs. 58.99 million as at 31 December 2018 included Rs. 8.6 million over 10

Recommendation

Arrears of revenue should be efficiently recovered.

Arrears of revenue should be efficiently recovered.

Comments of the Accounting officer

The services of Detraining Officers could not be received during 2018. As such, the progress in recovery of arrears was low.

Action will be taken to rectify in future.

years, Rs. 11.67 million of 5-10 years, Rs. 7.22 million of 3-5 years, Rs. 18.77 million of Rs. 1-3 years and Rs. 12.69 million less than one year.

2.3.3 Stall Rent

Audit observation

Action had not been taken to recover the stall rent of Rs. 6,037,068 due from 24 stalls of Kerawalapitiya belonging to the Hendala sub office.

Recommendation

Action should be taken to recover arrears of stall rent.

Comments of the Accounting officer

Action will be taken to rectify in future.

2.3.4 Other Revenue

Audit observation

- (a) The revenue earned from 174 publicity notices in 2018 amounted to Rs. 573,310. However, application forms had not been prepared in terms of the Gazette Extra Ordinary notification No. 1947/6 of 28 December 2015.
- (b) Revenue from rates of Rs. 489,801 only had been recovered from 28 telecommunication towers within the area of the Sabha. Business tax had not been recovered.
- (c) Out of the 150 institutions which should obtain environmental licences for the year under review, 21 institutions only had obtained licences. Trade licences had been issued to institution not obtaining environmental licences in 2018.

Recommendation

- Necessary bye-laws should be enacted or followed.
- Business tax should be recovered.
- Environmental licences should be issued to all institutions which should obtain them.

Comments of the Accounting officer

- The revenue inspectors had been instructed to prepare application forms as per by-laws and to survey the number of notice boards.
- The revenue inspectors had been instructed to recover business tax from 2020.
- Licences are being issued to identified establishments.

3. Operating Review

3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act No. 15 of 1987 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) Bye – laws

Audit observation

Although bye-laws had to be enacted for 14 main functions in terms of the Pradeshiya Sabha Act No. 126, bye-laws had not been enacted for 07 functions even by 31 December 2018.

Recommendation

Necessary bye-laws should be enacted.

Comments of the Accounting officer

Necessary action is being taken to prepare action plan on the basis of remaining of 7 bye-laws.

(b) Non-achievement of the expected Output

Audit observation

A sum of Rs. 06 lakhs had been provided in the Action Plan 2018 for self working of the library. However, the expected result could not be achieved as quotations had been revised after placing orders.

Recommendation

Expected level should be achieved.

Comments of the Accounting officer

Although the expected results could not be achieved, the work concerned had not been commenced by calling for quotations.

(b) Non-achievement of the expected Output

Audit observation

(i) Stalls of the Hendala sub-office remained without achieving the expected benefits. They were 04 stalls since 2007, 01 stall since 2013, 02 stalls since 2016 and 01 stall since 2017.

Recommendation

Expected benefit should be achieved.

Comments of the Accounting officer

These stalls had been utilized by the Sabha.

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| (ii) | A building had also been constructed for Rs. 20 lakhs in 2014 in the land where the Handala Kokathaka center functions, the extent of which is 02 roods and 11 perches, valued at Rs. 2,316,697. However, the expected benefits had not been obtained from the land or the building. | Expected benefit should be achieved. | This building had been constructed for use as a bus stand under the Provincial Council fund. Certain bus drivers parks their buses at Elakanda junction instead of here. |
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(d) Solid waste material management

Audit observation

Fees had not been determined for collection of garbage fees, from door to door, in order to meet the expenses as required by the gazette notification No. 1534/8 of 01 February 2008. A supervisory committee for sanitary protection method had also been not appointed.

Recommendation

Garbage tax or fees should be recovered.

Comments of the Accounting officer

The general council had approved recovery of garbage tax in terms of gazette notification No. 1534/8 of 01 February 2008. Recoveries will commence in 2020.

3.2 Human Resources Management

Audit observation

- (a) Vacancies in 02 posts of Management Assistant, one post of librarian and 03 posts of revenue inspectors and 01 post of Pre-school teacher existed since 2017 and 2013.

Recommendation

Vacancies should be filled.

Comments of the Accounting officer

These vacancies had been reported in all quarterly reports.

- (b) Permanent appointments had been granted to 12 sanitary labourers of primary level and 35 field labourers in terms of Public Administration Circular No. 25/2014 of 19 December 2014. However, these had not been

Should be included in the approved cadre.

Reported in all quarterly reports. But, not included in the approved cadre.

reported to the Director General of Management Services for inclusion in the approved cadre.

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| (c) | Nine sanitary labourers appointed on Public Services Provident Fund on basis and field labourers who had been recruited had been assigned to work as drivers of tractors and lorries of the Sabha instant of the duties relevant to them. | Duties should be assigned the basis of recruitments made. | Labourers with driving licences had been temporarily assigned to work as drivers. |
| (d) | Thirty four employees have obtained no pay leave for 804 days and the amount recoverable as at 31 December 2018 was Rs. 467,231 | No pay leave should be minimized. | Recoveries for no pay leave will be made from the salaries of relevant employees during the next month. |

3.3 Operating inefficiencies

Audit observation

Recommendation

Comments of the Accounting officer

(a) Assessment of Rates / Properties not being done periodically

The assessment of rates and properties relating to 03 sub offices of the Sabha had not been made for 10 years since the assessment made in 2005. The Sabha had failed to receive the assessment on the basis of present values. As such, the updated tax could not be recovered from 62,129 units of the authoritative area of the Sabha.

Assessment of rates of properties should be done without delay.

Requests had been made from the Department of Valuation since 2015.

(b) Tax on sale of land

The one percent tax obtainable from 04 lands belonging to the Hendala Sub office amounted to Rs. 1,781,115. This amount had been determined by an officer of the Sabha.

Tax should be levied on the sales value.

The revenue inspectors had been instructed to recover one percent of sales value.

3.4 Assets Management

3.4.1 Safely of Assets Not Ensured

Audit observation

Out of the 146 lands of the Sabha, title deeds of 71 lands and survey plans of 51 lands of the Sabha were not available as at end of the year under review

Recommendation

Title deeds and survey plans should be prepared for all lands.

Comments of the Accounting officer

Action is being taken to obtain approval of the Sabha to prepare Survey Plans for 34 lands. Declaration deeds will be prepared thereafter.

3.4.2 Assets not acquired

Audit observation

The ownership of 01 cab, a becko loader and a galie browser valued at Rs. 24,361,461 and included in the financial statements of the year under review had not been acquired.

Recommendation

Action should be taken to acquire assets.

Comments of the Accounting officer

This vehicle obtained as donation from the Department of Local Government will be acquired by the Sabha in 2019.

3.4.3 Idle and underutilized Assets

Audit observation

Six vehicles of the Sabha remained underutilized at the Hendala and Welisera vehicle pool in a condemned state.

Recommendation

Action should be taken for disposal or repairs.

Comments of the Accounting officer

An engineer's report will be obtained and it will be considered whether to repair it or to dispose.

3.4.4 Asset given to others

Audit observation

The Uswatakeiyawa Parswaththa land of 11 acres, 02 roods, 11 perches land valued at Rs. 188,000 given to the Wattala Pradeshiya Sabha had been separated into 57 blocks by the Chairman and the Secretary in 1991 and vested will others by deeds of gift.

Recommendation

Action should be taken to obtain revenue from assets.

Comments of the Accounting officer

Registers and persons are not available to collect information

3.5 Procurement

3.5.1 Procurement Plan

Audit observation

Main procurement plan and the amended detailed plan had not been prepared in terms of 4.2.1(b) and (c) of No. 8 of the National Procurement Agency circular of 25 January 2006.

Recommendation

Procurement plan should be prepared as per circular

Comments of the Accounting officer

A procurement plan had been prepared for 2018.

3.5.2 Contract Administration

Audit observation

A sum of Rs. 19,217,736 had been paid for road construction without laboratory test to check the strength of pressure.

Recommendation

The standard should be legally confirmed

Comments of the Accounting officer

Three projects are continued projects. 02 off these had been completed. The rest will be completed in future.