

Wattala Mabola Urban Council

Gampaha District

1. **Financial Statements**

1.1 **Presentation of Financial Statements**

The financial statements for the year under review had been presented on 28 March 2013 and the financial statements for the preceding year had been presented on 30 March 2012. The report of the Auditor General for the under review was issued to the Chairman of the Council on 30 September 2013.

1.2 **Opinion**

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Wattala Mabola Urban Council had maintained proper accounting records for the year ended 31 December 2012 and except for the effects on the financial statements of the matters referred to in my report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principals and give a true and fair view of the state of affairs of the Wattala Mabola Urban Council as at 31 December 2012 and the financial results 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 were observed.

- (a) The Tractor and Trailer valued at Rs.1,379,000 provided during the year under review and the Tractor and 02 Trailers valued at Rs.1,612,500 provided during 2009 to the Council by the Waste Management Authority had not been brought to account as fixed assets.
- (b) Stocks in – hand as at end of the year under review amounted to Rs.384,940 and this had been shown in the financial statements as Rs. 3,108,240.

- (c) Expenses on fuel and lubricants payable during the year under review amounted to Rs.598,683 and it had been shown as Rs.694,126 under creditors thus overstating the expenditure and creditors in the accounts by Rs.95,443.
- (d) Expenditure of Rs.5,179,038 under "Gama Neguma" and expenditure of Rs.1,985,380 under Provincial Development Aid had been credited to deposits for revenue account by Journal Entry No.17; instead of being credited to payments in advance account.
- (e) A sum of Rs.25,770,000 had been allocated as capital creditors for the year under review and it had been shown as creditors in the accounts eventhough preparation of estimates, signing of agreements and calling for quotations had not been carried out in respect of the relevant works.

1.3.2 Lack of Evidence for Audit

(a) Unanswered Audit Queries

Replies to 12 audit queries had not been furnished as at 31 March 2013. The value of quantifiable transactions relating to the audit queries amounted to Rs.28,925,713.

(b) Non – Submission of Information to Audit

Transactions totaling Rs.180,380,822 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

1.3.3 Un reconciled Control Accounts

The total of the balances relating to 08 items of accounts shown in the financial statements amounted to Rs.62,859,565 and the total of the balances as per relevant subsidiary registers and records amounted to Rs. 102,421,672.

2. **Financial and Operating Review**

2.1 **Financial Results**

According to the financial statements presented, the excess of recurrent expenditure over revenue of the Council for the year ended 31 December 2012 amounted to Rs.12,908,037 as against the excess of revenue over recurrent expenditure amounting to Rs.18,914,820 for the preceding year.

2.2 **Revenue Administration**

2.2.1 **Estimated Revenue, Actual Revenue and Arrears of Revenue**

Information on the estimated revenue, actual revenue and the arrears of revenue relating to the year under review as presented by the Chairman is shown below.

	Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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		Rs.'000	Rs.' 000	Rs. '000
(i)	Rates and Taxes	19,203	19,667	34,489
(ii)	Lease Rent	10,995	10,651	19,507
(iii)	Licence Fees	01	1,517	1,292
(iv)	Other Revenue	151,561	29,793	14,626

2.2.2 **Recovery of Revenue in Arrears**

It is the duty of the Secretary to recover rates and taxes, fines due in terms of Section 170(i), 170(a)(i) and (2) of the Urban Council Ordinance (Chapter 255) and credit to the Urban Council Fund and to take action for the same. But, action had not been taken to recover revenue in arrears amounting to Rs.72,612,610.

2.3 **Operating Inefficiencies**

(a) **Employees Loans**

No action had not been taken to recover employees loans amounting to Rs.341,834 over 12 years due from 105 employees.

(b) Settlement of Water Bills

Although the Trade Complex at Hendala and Mabola had been given on lease, the Urban council pays for water used there, The Council had paid a sum of Rs.521,073 during the year under review in respect of water used by an external party including the charges for delay for the period 2009 to January 2011. Action had not been to recover the water bill charges from the relevant parties.

(c) Vacancies in the Ayurvedic Dispensary

Drugs to the value of Rs.504,713 had been given to 4873 patients during the year under review by the free Ayurvedic Dispensary conducted by the Urban Council. However, these drugs had been issued by a person who is not a qualified Dispenser.

(d) Labour Check Rolls

It was observed that certain employees of the Works Division of the Urban Council had not marked the check rolls or not signed on certain days.

(e) Solid Waste Management

The Council had not acted according to the Urban Solid Waste Management Rules shown in Part IV(a) of the Gazette Notification No.1560/6 dated 30 July 2008.

2.4 Performance

(a) Performance Plan and Its Progress

Progress reports had not been prepared on development activities planned as per the performance plan for 2012 and the information required to support the progress also had not been maintained. Details are shown below.

	No. of Objectives	No. of Activities to Achieve the Objectives	No. of Activities Completed	No. of Activities Not completed on Target Date
(i) General Administration	05	41	23	18
(ii) Financial Management	09	24	19	05
(iii) Public Health and Environment	05	25	24	01
(iv) Physical Plans and Works	08	32	16	16
(v) Libraries and Community Development	02	10	09	01

(b) The following observations are made in respect of the action plan prepared for the year under review.

- (i) Financial values had not been shown for targets of the action plan.
- (ii) Progress of the achievements of targets of the action plan was not submitted.
- (iii) There was no procedure to compare the achievement of targets of the action plan and its progress.

2.5 **Dengue Project**

According to the Dengue Project 50 houses should be checked daily. But, only 2600 houses had been checked during the year under review. Accordingly, it was observed that 75% of the houses that should be checked had not been checked.

2.6 **Stock Control**

The following observations are made.

- (a) Purchase of goods had not been accounted through a stores creditors account.
- (b) The opening stocks in hand had not been adjusted with the expenditure of the year under review.
- (c) Only the closing stock of every year had been accounted in the stocks in hand account for over a long period and therefore, a huge value had been shown in the accounts continuously as stocks in hand.
- (d) A proper supervision had not been carried out on stock control and stock accounting.

2.7 **Internal Audit**

An adequate internal audit had not been carried out by the institution.

3. **System and Controls**

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

- (a) Accounting
- (b) Revenue Administration
- (c) Human Resources Management