

**Wattala Pradeshieva Sabha**

**Gampaha District**

1. **Financial Statements**

1.1 **Presentation of Financial Statements**

The financial statements for the year under review had been presented to audit on 25 March 2013 and the financial statements for the preceding year had been presented on 16 July 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 05 March 2014.

1.2 **Opinion**

In view of the comments and observations appearing in my report I do not express an opinion on the financial statements of the Wattala Pradeshieva Sabha for the year ended 31 December 2012 presented for audit.

1.3 **Comments on Financial Statements**

1.3.1 **Accounting Deficiencies**

The following observations are made

- (a) Works debtors amounting to Rs.1,394,000 and stores debtors amounting to Rs.2,149,024 totalling Rs.3,543,024 had been over provided during the under review.
- (b) The cheque bearing No.574122 valued at Rs.974,800 given on 20 May 2009 for hire charges of the Hendala Reception Hall had been dishonored and had been debited to the dishonoured cheques account and brought forward since 03 years.
- (c) Goods valued at Rs.10,483,536 purchased and goods valued at Rs.9,959,483 issued during the year 2012 had not been included in the stock registers as required by Financial Regulation 751 of the Republic of Sri Lanka and stock registers had not been maintained for purchases and issues during the year 2012.

1.3.2 **Lack of Evidence for Audit**

Transactions totaling Rs.104,089,045 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

2. **Financial and Operating Review**

2.1 **Financial Results**

According to the financial statements presented the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2012 amounted to Rs.49,175,931 as compared with the excess of recurrent expenditure over revenue amounting to Rs.96,685,580 for the preceding year.

2.2 **Financial Control**

- (a) 119 cheques valued at Rs.1,235,301 not presented for payment had been taken to the miscellaneous deposits account during year 2010 and of his, 98 cheques are payable to the state institutions.
- (b) Action had not been taken in terms of the Financial Regulations of Sri Lanka in respect of 18 lapsed cheques valued at Rs.449,024 existing since year 2008.
- (c) Value Added Tax amounting to Rs.430,192 paid for the supplies of the Sabha had not been set-off against the Production Tax.

2.3 **Revenue Administration**

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

Information on the estimated revenue, actual revenue and arrears of revenue relating to the year under review had not been submitted by the Chairman.

2.3.2 **Rates and Taxes**

The balance of rates and taxes in arrears as at end of the year under review amounted to Rs.76,007,474 and of this, the total of 1658 units of rates in arrears over Rs.5,000 amounted to Rs.21,894,517 and the total of 38 units of rates in arrears over Rs.50,000

amounted to Rs.7,090,056. Action had not been taken according to the provisions of Section 158(1) of the Pradeshiya Sabha Act No.15 of 1987 to recover the rates in arrears.

### **2.3.3 Other Revenue**

Other revenue in arrears as at end of the year under review amounted to Rs.20,610,578 and the total of balances outstanding for 01 to 03 years amounted to Rs.2,500,579 and the total of balances outstanding for 03 to 05 years amounted to Rs.2,128,221. The total of the balances outstanding for over 05 years amounted to Rs.1,498,913.

### **2.4 Dengue Project**

The following observations are made.

- (a) 117 employees had been recruited for the Dengue Project on casual and contract basis up to the year under review, without the approval of the Commissioner of Local Government and salaries and allowances amounting to Rs.22,281,065 had been paid for these employees during the year under review.
- (b) Specific duties had not been assigned to these employees. An examination of the attendance register, check role of the Anti Dengue employees for the month of January 2013 with the assignment of duties revealed that these employees had been attached as health labourers, road labourers and for office work. No supporting information made available to audit the effect that these employees had been attached to Anti Dengue Projects.
- (c) Although 117 casual and project employees had been recruited during the period 2003 to 2012; contributions to the Employees Provident Fund not been paid as requested by Sections 10(1) and 10(2) of the Employees Provident Fund Act No.15 of 1958 for all the casual and substitute employees assigned with duties of the Sabha.

### **2.5 Delayed Projects**

Five projects under Sabha funds valued at Rs.3,281,000 for which provision had been made under creditors during 2012 had not been completed even by 28 October 2013, the date of audit examination.

## 2.6 **Assets Management**

The following observations are made.

- (a) Action had not been taken even by 28 October 2013; the date of audit examination, to carry out surveys and to prepare title deeds for lands to the extent of 20 Acres, 38 Perches and 29 buildings valued at Rs.5,325,364 included in the Register of Fixed Assets.
- (b) Properties (land and buildings) of the Sabha had not been protected by marking boundaries properly and as such, it had been reported that 09 lands valued at Rs.1,892,161 under land and buildings as at end of the year under review could not be identified at the verification carried out on 13 September 2013.
- (c) Seven lands valued at Rs.6,086,839 shown in the Register of Fixed Assets and 04 lands of which the value had not been shown had been omitted from the accounts and it was revealed that these lands cannot be physically identified at present.
- (d) The fire Engine valued at Rs.2,158,357 as per final accounts had been taken by the Navy, Welisara on 05 November 2003, but action had not been taken to get back the Fire Engine.

## 2.7 **Solid Waste Management**

The following observations are made.

- (a) A Memorandum of Understanding had been entered into with the Western Provincial Waste Management Authority valid for 01 year from 07 January 2012 to 06 January 2013. According to the Memorandum, the two parties should enter into a formal agreement before end of the period. However, a formal agreement had not been entered into even up to 28 October 2013.
- (b) According to the Memorandum of Understanding, the sorted degradable waste and the undegradable waste which can be recycle and collected within the area of authority should be transport to the yard with effect from 07 January 2012. However out of the areas under the Sabha, such as Hendala, Welisara, Pamunugama , the waste

collected from a part of Hendala area and the Welisara Economic Centre only had been given to the Bio-gas Unit and that also had been done since August 2012.

- (c) Undegradable waste of the Hendala area and the degradable and undegradeble waste of the other areas of the Sabha had been dumped to a land owned by the Sabha and covered by soil. Therefore , it cannot be ruled out in audit the possibility of polluting environment such as ground waste and water ways in long – term.
- (d) A sum of Rs.2,967,790 had been spent during the year under review for spreading waste and for soil.

## 2.8 **Identified Losses and Damages**

The Sabha had not taken action on complaints made to the Sabha and therefore, legal charges amounting to Rs.348,359 had to be paid during 2012 and 2013 for 03 cases filed against the Sabha.

## 3. **Systems and Controls**

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

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Management
- (d) Stocks Control
- (e) Human Resources Management