

Wattala Pradeshiya Sabha

Gampaha District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented for audit on 29 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman on 22 October 2018.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements of the Wattala Pradeshiya Sabha give a true and fair view of the financial position as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Policies

Although an accounting policy had been identified to account the fixed assets, the fixed assets account had not been adjusted accordingly.

1.3.2 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) The Iddamalwaththa community centre demolished during the construction of Katunayake expressway had been shown under land and buildings resulting in an overstatement of assets by Rs.64,339.
- (b) The value of 10 land shown in the land and buildings schedule had not been assessed and brought to account.
- (c) The generator valued at Rs.48 lakhs stationed at the head office of the Pradeshiya Sabha had not been included in the financial statements.

1.3.3 Unreconciled Accounts

- (a) The difference between the balances shown in the financial statements and the balances appearing in the schedules of 06 items amounted to Rs.61,551,608.
- (b) According to the accounts presented, the balance of stocks of the general stores amounted to Rs.4,438,025. But, the balance as per verification report as at that dated amounted to Rs.3,052,292 resulting in a difference of Rs.1,385,733.

1.3.4 Accounts Receivable and Payable

(a) Accounts Receivable

The Sabha had paid Rs.25,000 to the security officer recruited by the Waste Management Authority for the Dickowita bio-gas unit as salaries for October 2012. This amount had not been reimbursed by the Authority even by 12 April 2018.

(b) Accounts Payable

- (i) The commission payable for 2 officers for collection of arrears of rates for 2016 amounting to Rs.157,012 had not been paid.
- (ii) The sum of Rs.64,774 payable to the State Engineering Corporation which continued to be brought forward since 2013 remained unsettled.
- (iii) An unidentified balance of Rs.729,708 named as water works stores continued to be brought forward without settlement since 2008.

1.3.5 Lack of Necessary Documentary Evidence for Audit

Ten items of accounts aggregating Rs.149,364,875 could not be satisfactorily verified in audit due to non rendition of confirmation of balances and documentary evidence.

1.3.6 Non-compliance with Laws, Rules, Regulations and Management Decisions

The reception hall had been given on lease to the wife of a member of the Sabha contravening Section 219 of the Pradeshiya Sabha Act No.15 of 1987 and a sum of Rs.774,800 was due from the reception hall since 30 May 2009.

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 2017 amounted to Rs.78,739,806 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.80,472,115.

2.2 Financial Control

Although the objective of the Sabha is to spend the funds of the Sabha on behalf of the public of the area in a systematic manner so as to obtain maximum benefits, a sum of Rs.144.1 million had been invested in 36 fixed deposits.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue

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	2017				2016			
	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	75,300,000	80,694,386	91,680,253	66,553,360	77,850,000	79,874,262	98,345,136	77,539,227
Rent	5,372,100	4,714,085	4,897,709	6,545,445	5,026,500	5,544,477	6,234,084	6,729,069
Licence Fees	3,225,000	3,978,855	5,022,660	-	3,410,000	3,488,963	3,690,423	1,043,805
Other Revenue	240,215,500	-	241,905,893	-	203,982,500	-	249,769,417	-

2.3.2 Performance in collection of Revenue

The revenue of Rs.343.50 million collected during the year under review had declined by Rs.14.53 million as compared with the revenue collected during the previous year amounting to Rs.358.03 million.

2.3.3 Rates and Taxes

The arrears of rates and taxes of Rs.66,553,360 as at 31 December 2017 included Rs.36,994,450 of 1 to 5 years, Rs.14,418,036 of 5 to 10 years and Rs.15,140,874 over 10 years. The Sabha had not taken adequate action to recover this revenue.

2.3.4 Stall Rent

Stall rent of Rs.4,139,748 were outstanding from 27 stalls of the Kerawalapitiya trade complex since 2012 and action had not been taken to recover those arrears.

2.3.5 Licence Fees

Receipts have been issued to owners of trade centres for the money obtained from them. But, many instances were revealed where trade licences had not been issued.

2.3.6 Other Revenue

(a) Environmental Licences

Timber mills, engineering carpentry shops, holiday resorts, fuel filling stations, grinding mills, printing press, oil mills and reception hall including all other trade establishments within the area of the Sabha should compulsorily obtain environmental licences. However, 05 establishments within the area had not obtained environmental licences.

(b) Revenue from Notice Boards

Fees should be recovered from all notice boards in the authoritative area of the Sabhain terms of Sections 122 and 126 of the Pradeshiya Sabha Act No.15 of 1987 and the first schedule of the Local Authorities Act (Approved bye-laws) No.06 of 1952 published in the Gazette Extra Ordinary No.1947/6 of 28 December 2015. However, fees had not been recovered from 10 advertisement boards.

(c) Revenue from Telecommunication Towers

(i) All telecommunication towers established within the area in terms of the approved list of the Telecommunication Regulatory Commission should be identified and revenue should be collected as per Section V of schedule V of the Gazette Extra Ordinary No.1597/8 of 17 April 2009. However, no revenue,

whatsoever, had been collected from the telecommunication towers within the authoritative area of the Welisara sub office.

- (ii) Business tax had not been recovered from other establishments which supplied exchange equipment to telecommunication towers installed within the authoritative area.

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. 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

Although bye-laws were required to be enacted for 15 main functions in terms of Section 126 of the Pradeshiya Sabha Act, bye-laws had been enacted for 12 functions only even by 31 December 2017.

(b) Action Plan

Although annual action plan had been prepared for functions to be executed by the Sabha in terms of bye-laws enacted, 04 functions included in the Action Plan for 2017 could not be executed.

(c) Non-achievement of the Expected Benefits

Eight stalls belonging to the Hendala sub office remained without achieving the expected benefits since 2007.

(d) Solid Waste Material Management

- (i) Fees chargeable for door to door collection of garbage had not been determined in the annual budget as required by 18(1) of the Gazette Notification No.1560/06 of 30 July 2008.
- (ii) Garbage tax or fees had not been levied in terms of the above gazette notification and the Gazette Notification No.1534/18 of 01 February 2008.

(e) **Sustainable Development Target**

The Sabha had executed the following projects in order to fulfil the sustainable development projects.

- (i) Training on production of footwear had been given to 25 families on 26 May 2017 and 09 June as a programme for self-employment to alleviate poverty among residents of Local Authorities area and subsequently a footwear fair had also been conducted on 08, 09 and 10 December in the premises of the Predeshya Sabha. In this connection a sum of Rs.150,000 had been spent.
- (ii) A programme for tree planting and home gardening had been executed in 2017 by spending Rs.7,500 from the funds of the Sabha.
- (iii) A sum of Rs.392,974 had been spent to offer footwear for school children of lowincome group families.

3.2 Management Inefficiencies

Goods purchased from 2012 to December 2014 remained idle at the stores and action had not been taken to identify such items and remove them from the stores.

3.3 Human Resources Management

(a) **Vacancies and Excesses in the Cadre**

The information relating to the approved and actual cadre as at 31 December of the year under review appear below.

Grade -----	Approved -----	Actual -----	Vacancies -----
Executives	02	02	-
Tertiary	01	01	-
Secondary	59	54	05
Primary	142	116	26
As per P.A.C 25/2014	47	46	01
	-----	-----	-----
	251	219	32
	=====	=====	=====

The vacancies in the approved cadre as at 31 December of the year under review were, the posts of one librarian, 03 revenue collectors, a post of pre-school teacher, 06 drivers 07 sanitary labourers, 09 field labourers and 03 K.K.S.

- (b) Action had not been taken to recover the balance of employees' loans of Rs.94,380 remaining unrecovered for over 15 years.

3.4 Operating Inefficiencies

About nine years had elapsed since the assessment of rates of properties belonging to three offices of the Sabha made in 2008. As such the Sabha had failed to review the assessment based on the present value of properties. The updated amount of tax recoverable from 57,113 units of properties of the authoritative area of the Sabha could not be recovered.

3.5 Assets Management

3.5.1 Assets not Registered

The number of motor cycles as per financial statements were 03 whereas 02 motor cycles had only been produced for physical verification.

3.5.2 Lack of Maintenance and Repairs

It was observed that a cab and a hand tractor of the Sabha were getting corroded in the vehicle pool of the Sabha for a long time. Suitable action had not been taken to repair or to dispose of them.

3.5.3 Assets not Acquired

There were 19 properties of the Sabha without title deeds or vesting orders and survey plans and 30 land without title deeds as the ownership had not been resolved at the Hendala sub office and 27 such properties at the Welisara sub office and 16 properties at the Pamanugama sub office.

3.5.4 Vesting of Assets with others

The Rev. Cardinal had gifted 11 acres, 02 roods and 11 perches of extensive land of the Uswetakeiyawa Parswaththa valued at Rs.188,000 to the Wattala Pradeshiya Sabha by deed of gift in 1988. This land had been partitioned into 57 blocks or so and distributed among others by deed of gifts during 1991.

3.5.5 Idle and Under utilized Assets

The following matters were observed.

- (a) A concrete mixing machine remained idle at the head office.
- (b) Five old vehicles of the Sabha, the value of which could not be identified, remained idle for about 08 years.

3.6 Procurement

Annual Procurement Plan

The main procurement plan and the annual detailed plan had not been prepared in terms of 4.2.1 (a) and (c) of the circular No.8 of 25 January 2006 of the National Procurement Agency.

4. Good Governance and Accountability

Budgetary Control

The entire estimated provision of Rs.49,500,000 made for 06 projects had been saved.

5. Systems and Controls

Deficiencies observed during the course of audit were brought to the notice of the Council from time to time. Special attention is needed in respect of the following areas of control.

System	Deficiency
-----	-----
(a) Revenue Administration	(i) Lack of updated assessment of properties.
	(ii) Action not being taken to collect arrears of revenue.
	(iii) Lack of identification of new revenue sources to collect revenue.
(b) Budgetary Control	(i) Non utilization of estimated financial provision.
	(ii) Over provision.
(c) Assets Management	(i) Title deeds not being obtained.

- (ii) Non maintenance of register of fixed assets.
 - (iii) The value of fixed assets without cost not being assessed and brought to account.
 - (d) Solid Waste Management Material
 - (i) Public not being made aware of collection of garbage and disposal.
 - (ii) Non recovery of garbage tax,