

Wilgamuwa Pradeshiya Sabha
Matale District

1. Financial Statements

1.1 Presentation Of Financial Statements

The financial statements of the year 2017 had been presented to audit on 01 May 2018 and the report of the Auditor General on the financial statements had been sent to the Chairman on 11 July 2018.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in Paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Wilgamuwa Pradeshiya Sabha 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 the Financial Statements

1.3.1 Accounting Deficiencies

The following accounting deficiencies were observed in audit.

- (a) There was a deference of Rs.1,471,340 between the total of fixed assets and the balance of the revenue contribution to capital outlay.
- (b) Eight items valued at Rs.182,275 purchased during the year under review had been shown as expenditure without identifying as fixed assets. Hence, the fixed assets had been understated and operational expenditure had been overstated by the same amount.
- (c) A sum of Rs.300,000 paid for the renovation of the Hettipola common toilets had been accounted as capital assets.
- (d) A sum of Rs.109,590 paid in the year 2018 for purchasing stationary in the year 2017, had not been shown under the creditors of the year 2017.
- (e) Although the interest income for 3 fixed deposits of the Wilgamuwa peoples bank for the year 2017 was Rs.86,237, it had been shown as Rs.130,849 thus the interest income and the annual surplus had been overstated by Rs.44,612.

1.3.2 Unreconsiled Accounts

Differences were observed between the balances of 4 accounts items shown in the financial statements amounting to Rs.32,926,681 and the balances of relevant subsidiary registers and records and the total of the differences was Rs.559,743.

1.3.3 Suspense Account

A sum of Rs.3,829,878 had been credited during the year under review to the debit balance of the suspense account of Rs.760,894 as at the end of the previous year, thus the credit balance as at the end of the year was Rs.3,068,984 and actions had not been taken to correct the balance of the

suspense account which had been brought forward in the financial statements over a number of years.

1.3.4 Receivable and Payable Accounts

(a) Receivable Accounts

Action had not been taken to settle the total amount of five balances of receivable accounts amounting to Rs.910,704 which had been brought forward in the accounts over a number of years.

(b) Payable Accounts

A credit balance of Rs.2,383,801 had been shown as outstanding capital grant over a long period of time and actions had not been taken to settle that balance.

1.3.5 Lack of written evidence for Audit

Nine account items amounting to Rs.69,370,711 could not be verified satisfactorily in audit due to absence of necessary information.

1.3.6 Non-Compliance

Non compliance with Laws, rules and regulations.

Instances of non compliances with Laws, rules and regulations are shown below.

<u>Reference to laws, rules and regulations</u>	<u>Amount</u> (Rs.)	<u>Non – Compliance</u>
(a) Section 24 of the Pradeshiya Sabha Act No.15 of 1987		- Action had not been taken to gazette the roads constructed by the Pradeshiya Sabha.
(b) Pradeshiya Sabha Rules of 1988 (Financial and Administration)		
(i) Section 178(2)(2)(e)	52,950	Although relevant specification should be mentioned in calling quotations, goods had been purchased with out mentioning specifications.
(ii) Rule 217		- As per the P.S.46, a register had not been maintained up to date in connection with all lands and buildings which were belong to the Sabha and using by the Sabha.
(c) National Environment Act No.47 of 1980 amended by the Acts No 53 of 2000 and No 56 of 1988 and part “d” of the special gazette No.1523/16 of 25 January 2008.		- Environmental protection license had not been issued for 15 dry processing rice mills and commercial grinding mills and 08 concrete work shops which should be obtained such license.

- (d) Public Administration circular No.09/2009 dated 16 April 2009 - Although arrival and departure should be confirmed by finger print machines in all state institutions actions had not been taken accordingly by the Pradeshiya Sabha.

2. Financial Review

2.1 Financial Results

According to the financial statements presented the revenue of the Sabha for the year ended 31 December 2017, in excess of the recurrent expenditure was Rs.7,323,775 whilst as compared to it, the revenue in excess of recurrent expenditure of the previous year was Rs.7,553,765.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Outstanding Revenue

Details relating to the estimated revenue, billed revenue, collected revenue and outstanding revenue presented for the year under review and the preceding year are given below.

Source of Revenue	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total outstanding as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total outstanding as at 31 December
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Rates and Taxes	745,000	637,907	483,299	154,608	745,000	637,000	760,704	-
Trade Rent	3,025,000	1,764,664	2,434,076	-	1,985,000	1,449,600	2,165,386	-
Trade License Fee	1,435,000	671,959	1,201,090	-	1,410,000	815,355	1,276,335	-
Other Revenue	8,251,000	1,856,037	3,876,449	-	10,132,000	1,877,332	3,576,602	-
	13,456,000	4,930,567	7,994,914	154,608	14,272,000	4,779,287	7,779,027	-

2.2.2 Performance of Collecting Revenue

The other revenue amounting to Rs.13,925,162 for the year 2016 had decreased to 12,763,817 by 8 per cent in the year under review due to actions not being taken by the Sabha to increase the revenue.

2.2.3 Rate and Taxes

The following observations are made.

- (a) The outstanding rate tax as at 31 December of the year under review was Rs.302,737 and the billed rate taxes was Rs.637,907 for the year under review. Out of that, only a sum of Rs.467,483 represents 73 per cent had received for the year 2017, thus the conditions of collection of rate tax was in a feeble level.
- (b) Although actions should be taken to revalue rate properties and to increase the revenue of the Sabha, rate tax had not been revised after the year 2011.

- (c) Actions had not been taken to recover the outstanding rate tax of Rs.118,943 receivable over a period of 8 years from state institutions of the jurisdiction of the Sabha.

2.2.4 Rent

Action had not been taken to recover the total outstanding amount of Rs.900,069 including meat stall rent of Rs.236,253 outstanding stall rent of Rs.660,816 and sea fish stall rent of Rs.3,000 even in the year under review.

2.2.5 Other Revenue

The following observations are made.

- (a) Places where the three-wheel were stopped in the jurisdiction of the Pradeshiya Sabha had not been identified and those lands had not get assigned to the Sabha thus, fees could not be charged from those places.
- (b) Actions had not been taken to identify the communication towers in the jurisdiction of the Sabha and to charge the annual fees.
- (c) A sum of Rs.898,385 should be recovered as outstanding water charges as at the end of the year under review.
- (d) A sum of Rs.50,429 should be recovered from the Government Institutions in the jurisdiction of the Sabha since the year 2008.

2.2.6 Court fines and Stamp fees

Court fines amounting to Rs.1,654,882 and Stamp fees amounting to Rs.28,400 should be recovered as at 31 December 2017 from the Chief Secretary of the provincial Council and other Authorities .

3. Operating Review

3.1 Performance

The following observations are made in respect of duties which should be fulfilled by the Sabha relating to formulate and administrate Public Health, common utility services and common roads.

(a) **By Laws**

Although by Laws had to be enacted to fulfill 30 main functions under the section 126 of the Pradeshiya Sabha Act, by Laws had been enacted only for 18 functions as at 31 December 2017.

(b) **Action Plan**

According to the Public Finance Circular No 01/2014 dated 2 February 2014, annual action plan had not been prepared including the plan for requirement of imprests for annual actions, the plan for the main development programmes, annual action plan and expected targets of those actions.

(c) Solid Waste Management

Although a sum of Rs.2,792,877 had been increased for disposal and management of solid waste during the year under review, including salaries and other expenses, almost 01 metric ton of daily collected garbage of the jurisdiction of the Pradeshiya Sabha had been disposed to a government land without separating them.

(d) Environmental Issues

Although actions had been taken to put in to a pit and burn daily collected polythene in the jurisdiction of the Sabha, a huge amount of polythene had been collected in the relevant land and it had become to food of animals. The environment of the surroundings was polluted due to collect them without separation as polythene and disposable waste and collected all in a same place. Further, initial steps had not been taken by the Sabha for a long term plan in connection with solid waste management.

(e) Sustainable Development Goals

Although all government institutions should act to achieve 17 sustainable development goals of the 2030 Agenda of the sustainable development, a suitable plan had not been implemented to identify sufficient sustainable development goals and to implement them through the action plan.

3.2 Management Inefficiencies

A sum of Rs.9,470 had to be paid as fines for the year 2013 and 2017 because the revenue license for 5 motor vehicles belong to the Pradeshiya Sabha had not been obtained in due time.

3.3 Human Resources Management**(a) Vacancies and surplus of the staff**

There were 19 vacancies in the staff of the Sabha as at 31 December of the year under review and out of those 19, 13 vacancies were in the secondary level. Hence, there were problematic situation to fulfill the activities of the Sabha efficiently.

(b) Staff loan

Actions had not been taken to recover a sum of Rs.91,141 receivable from 7 officers who had employed in the Sabha from the year 2006 and retired, died and transferred.

3.4 Operational inefficiencies

The following observations are made.

- (a) Action had not been taken to open for the public use the common toilet of the Hettipola city owned by the Pradeshiya Sabha by attaching labors by the Sabha and only the maintenance were being done. As a result income generating source was lost to the Sabha. Said toilet had been developed in the year under review incurring a sum of Rs.300,000 under the Provincial specific development grant. However, action had not been taken by the Sabha to maintain the place as possible as to use by the public.

- (b) Under the capital programme for improvement of infrastructure facilities of Local Government institutions – 2016, 4 mobile sale outlets valued at Rs.800,000 had been consternated near by the Hettipola Public Library and handed over to the Pradeshiya Sabha on 17 November 2016. Actions had not been taken by the Sabha to generate income or employment opportunities by giving them as suitable.
- (c) As per the observations made in the Board of survey, there were deficiency of recorded 36 G.I. pipes of 01 inches out of 258 pipes. However, a part of that had been collected in the premises of the Sabha unprotectedly.
- (d) Goods had not been stored properly in the water and electric stores, thus those stores could not be physically checked.
- (e) Certificate of completion should be issued for the buildings constructed on approved plans. Although 27 building applications had been approved for the period of the year 2013 to 2017, certificate of completion had not been issued.
- (f) Water had been supplied for almost 650 customers by the Wilgamuwa Pradeshiya Sabha through the water project construct incurring a sum of Rs.45,148,811 during the year 2015. However, water requirement of all customers could not be fulfilled due to the insufficiency of water obtained from water sources and technical issues. Hence water had to be delivered using the water bouser incurring extra expenses. Attention had not been paid by the Sabha to identify new water sources and to solve technical issues in order to increase the capacity of prevailing water projects.
- (g) The “e” Nana Piyasa commenced in order to improve compute skills of the children of the area, had been closed due to unavailability of students in the year 2017. Attention had not been paid by the Sabha to maintain the institute further more by introducing courses suitable for the present and to recruit instructors.
- (h) Only six bodies had been cremated in the Namini Oya crematorium which was constructed at Rs.15,419,920 under the Puranagama Project and handed over to the Wulgamuwa Pradeshiya Sabha in the year 2016, and it was broken down after 4 December 2017. Warranties for equipment used in the crematarium had not been obtained by Sabha. Hence it had to face to difficulties for repairing when break down.

3.5 Asset Management

3.5.1 Idle/ under utilized assets

Action had not been taken to repair and use 5 vehicles within a period of 3 years to 10 years as at the end of the year under review.

3.5.2 Vehicle Utilization

The lorry valued at Rs.5,600,000 belongs to the Sabha had not been run after 6 May 2016 and attention had not been paid by the Sabha to use the vehicle for income generating activities.

3.6 Procurement

3.6.1 Procurement Plan

A Procurement Plan had not been prepared by the Sabha according to 4.2.1 of the Procurement Guideline of 2006 and purchasing of Rs.2,095,020 had been made in the year 2017 without a procurement plan.

4. Accountability and Good Governance

4.1 Budgetary Control

Even after transferring provisions between the revenue and expenditure considerable variations were observed between the actual income and expenditure during the year under review thus indicating that the budget had not been used as an effective instrument of Management control. The following observations are made in this regard.

- (a) Any income had not been earned out of the estimated income of Rs.790,000 relating to 11 revenue items.
- (b) The variation between the estimated income and the actual income of 29 revenue items was in a range of 0 to 305 per cent.
- (c) Any expense had not been incurred out of the provision of Rs.1,657,000 made for 79 expenditure items.
- (d) The variation between the net provision and actual expenditure relating to 25 expenditure items was in a range of 10 per cent to 100 per cent.

4.2 Internal Audit

According to the 1988 Pradeshiya Sabha rule 5(7) (Finance and Administration) internal audit unit had been established. Nevertheless, internal audit reports had not been submitted to audit.

4.3 Implementation of Audit and Management Committees

According to the circular of the chief secretary to the Ministry of Central Province No.CPC/CMS/01/06 dated 01 August 2014, 4 audit and management committees should be held annually. However, 03 turns for the year 2017 and only 1 turn for the year 2016 had been held.

5. Systems and Controls

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

<u>System</u>	<u>Deficiency</u>
(a) Control of Assets	(i) Fixed assets regulate not being updated. (ii) Value of all assets not being assessed. (iii) Actions not being taken idle assets to be used.

- (iv) Actions not being taken to assign the ownership of vehicles.
- (b) Collecting Revenue
 - (i) Actions not being taken to recover the outstanding income.
 - (ii) Trade license survey not being carried out.
 - (iii) Temporary rates not being recovered.
 - (iv) Actions not being taken to inact by lows and to charge from three wheel stands.
- (c) Stores Administration
 - (i) Stock registers not being updated.
 - (ii) Actions not being taken to dispose the expired stock.
 - (iii) Collecting stock unnecessarily.
- (d) Project Administration
 - (i) Feasibility study reports not being obtained.
 - (ii) New constructions not being used for fruitful purpose.