

Walallavita Pradeshiya Sabha

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Kalutara District  
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1. Financial Statements

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1.1 Presentation of Financial Statements

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While Financial Statements for the year 2017 had been submitted on 21 March 2018 and amended Financial Statements on 05 October for the audit, the Auditor General's Report relating to the year under review was sent to the Chairman of the Sabha on 05 October 2018.

1.2 Qualified Opinion

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In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Walallavita 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 Financial Statement

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1.3.1 Accounting Deficiencies

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Following accounting deficiencies were observed.

- (a) Although a sum of Rs. 50,000 should be credited to the Accumulated Fund Account having debited the Stamp Fees Account for correcting the the paragraph 2.2.2 (e) in the audit report for the year 2016, that account had been debited to the Capital Grants Debtors Account. As a result, that account had been understated in a sum of Rs. 50,000 while Stamp Fees Receivable Account had been understated in a sum of Rs. 50,000.
- (b) Water Consumers Charges amounting to Rs. 1,154,791 receivable to the Sabha as at the end of the year under review had not been accounted.
- (c) The sum of Rs. 59,888 received as Fixed Deposits interest as at the end of the year under review had not been shown in the financial statements.
- (d) Sundry expenses amounting to Rs. 116,962 relevant to the preceding year had been shown as expenses for the year under review in the financial statements.
- (e) Electrical Goods Expenditure amounting to Rs. 79,538 relevant to the preceding year had been overstated in a sum of Rs. 79,538. Due to that, Accumulated Fund Account and Electrical Stores Stock had been overstated at the rate of Rs. 79,538

### 1.3. 2 Non-reconciled Accounts

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 A difference of Rs.1,657,378 was observed between the balances relevant to 03 items of accounts amounting to Rs. 47,672,975 shown in the financial statements and the balances shown in the schedules relevant to those.

### 1.3.3 Lack of Written Evidence Required for Audit

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 Two items of account totaling to Rs. 7,426,016 could not be satisfactorily vouched in audit due to lack of up dated Deposits Register and relevant schedules.

### 1.3. 4 Non-compliance with Laws, Rules, Regulations and Management Decisions

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 Instances of non-compliance with laws, rules, regulations and management decisions are shown below.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance
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	Rs.	
(a) Pradeshiya Sabha Act No. 15 of 1987 Section 134 (1)		Although a rate should be recovered on the basis of the annual value of a particular immovable property or a type of immovable property situated in an area declared as a developed area, subject to approval of the Minister, a fresh identification for rates had not been made by the Sabha.
(b) Pradeshiya Sabha (Financial and Administrative) Rules of 1988 Rule 218	49,491,312	All Lands and Buildings belong to the Sabha had not been inspected once in every year.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.		
i. Financial Regulation 571	2,066,743	Action had not been taken with regard to time lapsed deposits.
ii Financial Regulations 1647 (b)	-	A full survey of vehicles and tools of those belong to the Sabha had

not been carried out.

- (d) Public Administration Circular No 2016/30 dated 29 December 2016. Paragraph 3.1 Fuel consumption tests of the vehicles belong to the Sabha had not been carried out.
- (e) Treasury Circular No IAI/2002/02 dated 28 November 2002. Computer components and software had not been recorded.

## 2. Financial Review

### 2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 had been Rs. 3,441,905 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 8,907,987 in the preceding year.

### 2.2 Financial Control

Steps had not been taken to settle 08 accounts balances amounting to Rs.85,950 relevant to Account No.261-1-001-9-0000044 brought forward over a long period.

### 2.3 Revenue Administration

#### 2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

Information relating to Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year as furnished are shown 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..
(i) Rates and Taxes	2,760,628,	3,056,598	2,980,112	1,965,705	2,727,030	2,977,691	3,169,413	2,216,113
(ii) Rent	6,828,650	3,820,253	5,,518,622	29,174	5,867,000	4,233,901	4,238,075	12,942
(iii) License fees	143,000	245,990	247,240	--	70,000	72,360	70,110	2,250
(iv) Other Revenue	19,110,100	42,694,265	42,694,265	--	45,955,800	51,431,315	51,431,316	

## 2.2.2 Performance in Revenue Collection

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While overall arrears of revenue at the beginning of the year under review amounted to Rs. 2,303,176, there were billings amounting to Rs. 8,645,851 and receipts amounting to Rs. 8,890,511 during the year. Overall arrears of revenue as at 31 December 2017 amounted to Rs.2,058,516..

## 2.3.3 Rates and Taxes

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### (a) Rates

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- (i) While Rates billings for the year under review were Rs. 1,982,120, out of that, a sum of Rs. 1,465,584 or 74 percent had been recovered during the year.
- (ii) While a sum of Rs. 656,972 or 40 percent only had been recovered out of arrears amounting to Rs. 1,647,155 at the beginning of the year under review, total arrears at the at the end of the year was Rs.1,506,719. Accordingly, the progress in the recovery rates for the year under review was 58 percent.

### (b) Acreage Tax

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While the balance of Acreage Tax in arrears at the beginning of the year under review was Rs. 67,523, out of that, a sum of Rs. 16,533 only had been recovered as at 31 December 2017. While billings for the current year was Rs. 14,818, out of that, a sum of Rs.7,461 or 50 percent only had been recovered during the year.

## 2.3.4 License Fees

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### (a) Industrial Tax

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- (i) Although cases should be filed against defaulters in payment of Industrial Tax during the relevant year and recover those taxes, Industrial Tax revenue not recovered during the year 2016 had been Rs. 91,660, while only a sum of Rs. 38,000 had been collected during the year 2017 out of those arrears of tax.
- (ii) While Industrial Tax billings for the year under review were Rs. 117,000, out of that, a sum of Rs. 95,750 only had been recovered during the year.
- (iii) While a sum of Rs. 74,910 was in arrears from 65 industrial tax payers relevant to the year under review and the preceding year, cases had not been filed for recovery of those balances in arrears.

(b) Business Tax  
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- (i) While the balance of Business Tax in arrears at the beginning of the year under review was Rs. 425,010, out of that, a sum of Rs. 230,190 only had been recovered during the year 2017. While billings for the year under review had been Rs.649,660,, out of that, a sum of Rs.511,750 only had been recovered during the year.
- (ii) While a sum of Rs. 332,730 was in arrears from 253 tax payers, action had not been taken for recovery of those amounts.

2.3.5 Other Revenue  
-----(a) Ferry Revenue  
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While arrears at the beginning of the year under review were Rs. 10,000, those arrears had increased to Rs. 29,174 at the end of the year.

(b) Meat Stalls Revenue  
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While arrears of meat stalls revenue at the beginning of the year under review were Rs. 56,636, any recovery had not been made during the year.

(c) Advertisement Boards Revenue  
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When displaying a particular advertisement, it should be displayed only under the authority of a license to be issued in terms of Local Government (Standard By-laws) Act No. 06 of 1952 by the secretary of the Sabha. However, advertisement boards had been displayed without obtaining such authority. A sum of Rs. 239,050 had not been recovered from advertisement boards and name boards so displayed.

(d) Water Charges  
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An arrears sum of Rs. 207,844 was outstanding from the water project maintained by the Sabha as at 31 December 2017.

2.3.6 Court Fines and Stamp Fees  
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Court Fines amounting to Rs. 8,181,821 and Stamp Fees amounting to Rs. 4,500,000 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2017.

### 3. Performance

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#### 3.1 Performance

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Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public thoroughfares, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

##### (a) By-laws

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Although by-laws should be imposed under Section 126 of the Pradeshiya Sabha Act for fulfillment of 16 main functions, by-laws had been imposed by the Sabha only for 08 subjects even as at 31 December 2017.

##### (b) Action Plan

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Details relating to the works proposed to be performed by the Sabha for the year 2017 had not been included in the annual action plan

##### (c) Solid Wastes Management

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While an expenditure amounting to Rs. 1,021,447 had been incurred for solid wastes management during the year 2017, by-laws had not been imposed for that. While agreements had not been signed with the Waste Management Authority for disposal of garbage, garbage tax had not been imposed in order to cover the cost incurred for disposal of garbage.

##### (d) Sustainable Development Targets.

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The Sabha was not aware of the Agenda - 2030 with regard to sustainable development objectives. Due to that, long term plans through new global index for uplifting of living standard and health of the people in the area of authority of the Sabha had not been prepared even as at 11 June 2018.

#### 3.2 Management Inefficiencies

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##### (a) Payment of Contributions to the Public Service Provident Fund

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Although the contributions of the casual and temporary employees should be remitted to the public Service Provident Fund in terms of clause 4.1 of the Circular No. 2/2011 dated 24 February 2011 of the Director General of Pensions, without doing so, money had been remitted to the Employees Provident Fund. Due to that, a fine of Rs. 43,100 had to be paid.

(b) Failure to survey lands belong to the Sabha  
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Steps had not been taken by the Sabha for correct identification of lands belong to the Sabha, to assess the identified lands or to erect fences, mark boundaries and to fix name boards to establish the ownership by appointing a board of survey or taking any other action in terms of Pradeshiya Sabha (Financial and Administrative) Rule 218 of 1988.

3.3 Human Resources Management  
-----(a) Staff Vacancies and Excesses  
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While there were 01 vacancy of tertiary level post and 12 vacancies of secondary level posts, there were excesses of 03 secondary level posts and 01 preliminary level post.

(b) Staff Loans  
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Loan balance of Rs. 8,750 outstanding to be recovered from three employees who had resigned and retired had not been recovered.

4. Accountability and Good Governance  
-----4.1 Budgetary Control  
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Variances in a range from 11 percent to 41 percent between the budgeted revenue and actual revenue, and variances in a range from 12 percent to 317 percent between the budgeted expenditure actual expenditure were observed. Therefore, it was observed that, the budget had not been made use of as an effective tool of management.

5. Systems and Controls  
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Deficiencies observed were brought to the notice of the Sabha through audit queries issued from time to time. Special attention of the Sabha is needed in the following areas of controls.

System -----	Deficiency -----
(a) Accounting	Non maintenance of updated registers
(b) Revenue Administration	<ul style="list-style-type: none"> <li>i. Non-recovery of arrears of revenue.</li> <li>ii. Not carrying out proper surveys for correct identification of advertisement boards and license fees etc.</li> </ul>
(c) Budgetary Control	<ul style="list-style-type: none"> <li>i. Material variances between the budget and actual expenditure</li> <li>ii. Unrealistic revenue estimates</li> </ul>

- (d) Assets and Properties
  - i. Non-documentation.
  - ii. Lack of security
- (e) Stores Control
  - i. Non-maintenance of updated registers.
  - ii. Non-maintenance of registers for parts removed from vehicles.
- (f) Staff Management Failure to fill vacant posts.