

**Wanathawilluwa Pradeshiya Sabha**  
**Puttalam District**

**1 Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2018 had been presented to audit on 11 March 2019 and the Summary Report and the Detailed Management Report of the Auditor General on the financial statements had been forwarded to the Chairman on 31 May 2019 and 10 July 2019 respectively.

**1.2 Opinion**

In my opinion, the financial statements give a true and fair view of the financial position of the Wanathawilluwa Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Non - compliances**

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

The following non-compliances were observed in the audit.

<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Non-compliance</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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<b>(a) <u>Pradeshiya Sabha (Finance &amp; Administration) Rules of 1988</u></b>			
(i) Rule No 5 (3)	An internal check had not been carried out properly for the collection of revenue.	An internal check should be implemented for the collection of revenue.	There had not been a proper internal check for the collection of revenue and it has been advised in writing to implement.
(ii) Rule No 205	Action had not been taken as per the report of the Board of Survey of 2018.	Recommendations of the Board of Survey should be implemented.	Action will be taken to implement decisions of the Board of Survey accordance with the decisions of the Sabha.
(iii) Rule No 218	Action had not been taken to check by a Board of Survey, all lands and buildings which were used and occupied by the Sabha once in a year.	All properties should be surveyed annually.	Action will be taken to appoint a Board of Survey and check once a year in the future.

(b) **Financial Regulations of the Democratic Socialist Republic of Sri Lanka**

(i) Financial Regulation No 1645	The daily running charts of all vehicles used by the Sabha had not been submitted.	Running charts must be submitted to the audit before due date.	Action will be taken to update the daily running charts of all vehicles owned to the Sabha by the drivers and will be forwarded to the Auditor General through the officer in charge of the subject before the 15th of next month.
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(c) **Treasury Circulars**

Circular No. I.A.I/ 2002/02 dated 28 November 2002	A fixed asset register had not been maintained for computers and computer accessories owned to the Sabha.	A fixed asset register should be maintained as per the circular.	Action will be taken to maintain a fixed asset register separately in respect of computers and computer accessories owned to the Sabha.
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**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 2018 amounted to Rs. 2,622,281 as against the excess of recurrent expenditure over revenue amounting Rs. 374,808 for the preceding year.

**2.2 Revenue Administration****2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and the Arrears of Revenue**

The information relating to the estimated revenue, billed revenue, collected revenue and the arrears of revenue, furnished for the year under review and for the preceding year appears below.

Source of Revenue	2018				2017			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	'000	'000	'000	'000	'000	'000	'000	'000
Rates and Taxes	895	990	892	1,040	805	814	872	942
Lease Rent	35,108	2,083	2,083	1,484	32,927	2,153	2,026	1,484
License Fees	571	354	354	-	325	199	199	-
Other Revenue	3,170	60,239	64,865	17,708	7,280	52,386	52,824	14,890
Total	39,744	63,666	68,194	20,232	41,337	55,552	55,921	17,316

- ❖ The Collected Revenue includes the collections made to Billed Revenue for the year under review and the collections from arrears of past years.

### 2.2.2 Revenue Collection Performance

Audit Observation	Recommendation	Comments of the Accounting Officer
There were no arrears of income since collection of income and license fees had been treated as billing. Only sum of Rs. 892,000 had been collected out of total rates and taxes amounting to Rs. 1,932,000 for the year under review.	Action should be taken to recover the outstanding arrears of income.	Legal action has been initiated for 02 leased out properties and action has been taken to recover the arrears of income.

### 2.2.3 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
Rates and taxes had been continuously levied based on valuation taken on 19 years ago.	Action should be taken to obtain the assessment rates immediately.	Accepted

**2.2.4 Acreege Taxes**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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As at 31 December of the year under review the outstanding balance was Rs. 616,784 and billed amount was Rs. 74,000.	Action should be taken to check the correct balance and to recover the arrears.	Action will be taken to check and collect the arrears in the future as the ownership of the acreege tax cannot be identified at present.

**2.2.5 Lease Rents**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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Proper action had not been taken to collect a sum of Rs. 952,511 of the lease rents from the shops leased out by the Sabha.	Action should be taken to recover the arrears.	It was proposed at the General Meeting to get back the ownership and to stop the billing and collect the arrears from May. Action will be taken accordingly.

**2.2.6 Court Fines and Stamp Duties**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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Action had not been taken to collect the outstanding court fines valued at Rs. 1,949,518 and the outstanding stamp duty valued at Rs. 7,816,388 for the year under review.	Action should be taken to collect the outstanding amounts of court fines and stamp fees.	As at 10 June 2019, a sum of Rs. 1,230,523 from the total amount of court fines and Rs. 4,784,186 from the total amount of Stamp duty for the year under review had been received. Action will be taken to recover the outstanding amount.

**3. Operating Review****3.1 Performance**

The matters revealed in respect of execution of activities that should be executed under section 3 of the Pradeshiya Sabha Act such as regularize and control over the matters of public health, public utility services and public roads and the comfort, facilities and wellbeing of the people are given below.

**(a) By-Laws**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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Under Section 126 of the Pradeshiya Sabha Act, by-laws had been gazetted for 42 matters in 1988 and 05 by-laws had been adopted. Sabha had not implemented by-laws to collect revenue.	Action should be taken to adopt the by-laws of the Sabha.	Action will be taken to collect all possible revenue within the area of authority of the Sabha in accordance with the by-laws.

**(b) Action Plan**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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An action plan had not been prepared for the year under review.	An action plan should be prepared.	A development plan has been prepared.

**(c) Solid Waste Management**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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The compost yard which was built by the Sabha at a cost of Rs. 3,807,268 had not been used effectively in the year under review.	A systematic program should be implemented to produce high quality compost.	The surface of the yard floor is broken and sand is emitted from these areas. These fertilizers with more sand are not in a position to sale. Action will be taken to recruit employees on a daily salary basis with the approval of the Commissioner in the future.

**(d) Sustainable Development Goals and Objectives**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(i) Although the Sustainable Development Goals and Objectives have been identified, action had not been taken to achieve these in the year under review.	Action should be taken to identify relevant goals and objectives and to implement towards achieving them.	Since the year 2019 Sustainable Development Goals and Objective have been more focused, and it will focus on achieving those goals and objectives from 2019 onwards.

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| (ii) | Although protecting the natural environment is part of its mission since the local area has a beautiful lagoon and two water streams, action had not been taken to uplift the living standards of the people of the area through the protecting and developing the lagoon and increasing fish resources. | Action should be taken to focus on objectives of the Sabha. | Action will be taken to include into 2020 budget and implement programs to improve the living standards of the fishermen in the lagoon. |
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### 3.2 Management Inefficiencies

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) Three buildings and equipment valued at Rs. 3,728,438 had been remained idle due to not functioning.	A systematic program should be adopted in order to make the best use of resources.	Action will be taken to commence weekly fairs in the future and currently these two weekly fairs are not functioning due to the absence of the public.
(b) Age Analysis had not been presented regarding the arrears of income.	Age Analysis for arrears of income should be submitted.	Action will be taken to submit the age analysis for arrears of income in the future.
(c) Action had not been taken to recover a sum of Rs. 58,775 spent by the Sabha on the basis of reimbursement to the Eluwankumalama Water Pumping Station for generating electricity even after more than a year.	Action should be taken to recover the money.	Action will be taken to inform in writing to the relevant institutions to get back the Rs. 58,775 spent by the Sabha through the Pura Neguma Project.
(d) The income amounting Rs. 168,400 earned during the year under review from the vehicle rental had been kept in the deposit account.	Income should be properly accounted.	Action will be taken to accounted to under income.

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| (e) Action had not been made to legally take over the ownership of the land from the Divisional Secretary where the 57 shop were constructed by the Sabha. | Action should be taken to take over the ownership of the land. | Acquisitions have been delayed due to delays in surveying. |
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### 3.3 Human Resources Management

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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Three posts were vacant out of 13 approved posts. An Ayurvedic Medical Officer which was an unapproved post and an officer had been employed on contract basis.	Action should be taken to fill staff vacancies and get approved for excess posts.	These two posts are approved Development Officers posts and 08 Development Officers recruited in the year 2015 have been directed to the Sabha from the North Western Provincial Public Service Commission. 07 posts of Development Officers under a separate designation were approved and 04 of posts are currently vacant.

### 3.4 Operating Inefficiencies

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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An adequate and timely inspection mechanism for revenue collection of rental vehicles and equipment had not implemented by the Sabha and had not been confirmed that any revenue related to the service provided by the Sabha are received.	Action should be taken to obtain the revenue.	Since the procedure to be followed for renting vehicles has been systematically prepared and as maintained another income register and action had been taken to inform the drivers as well.

### 3.5 Identified Losses

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- A sum of Rs. 54,092 had been paid as fixed charges over a period of 3 years for an unused phone.	----- Should not pay for unused phones.	----- Now, it has been disconnected.

## 4. Accountability and Good Governance

### 4.1 Budgetary Control

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- According to the budget prepared, the entire provisions totalling Rs. 4,578,363 relating to 28 objects had been saved in the year under review and provision savings were more than 20 per cent relating to 55 objects were Rs. 13,915.269.	----- Reliable budget should be prepared.	----- It was impossible to incur expenses under certain objects due to failure of collect the expected recurring and capital income in 2018.

### 4.2 Internal Audit

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- An internal audit had not been carried out properly for the financial and operational activities of the Sabha during the year under review.	----- Internal audit should be strengthened.	----- An internal audit has been carried out in every month relating to the financial and operational activities of the Sabha.