

Wattala Mabola Urban Council

Gampaha District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented for audit on 18 March 2019 and the summarized report of the relevant Auditor General's report and the management report had been forwarded to the Chairman on 30 May 2019 and 29 August 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters shown in f this report, the financial statements of the Wattala Mabola Urban Council give a true and fair view of the financial position as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for qualified opinion

(a) Accounting Deficiencies

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|---|--|
| (i) The ledger balance of Rs.2,755,642 had been shown in the financial statements instead of showing the value of physical stock as at 31 December 2018. | The value of physical stock should be brought to account. | Approval of the Council had sought to delete from the stock-in-hand and General Stores Account the balance Of Rs.241,737 on the recommendations of the rectification of balances report. |
| (ii) Library books purchase for Rs.597,296 during the year under review had been capitalized with the commission of Rs.77,236 obtained for the stock of books. | Necessary adjustments should be made in the financial statements and make rectifications accordingly. | The values denoted in the books had been brought to account while accounting the library books. |

(b) Unreconciled Accounts

| Audit Observation ----- | Recommendation ----- | Comments of the Accounting Officer ----- |
|---|---|--|
| Differences amounting to Rs.61,255,161 were observed between the balances Of 05 accounts shown in the financial Statements as at 31 December 2018 and the related balances in the subsidiary registers. | Action should be taken to reconcile the balances and rectify. | Action is being taken to rectify these balances. |

(c) Accounts Receivable

| Audit Observation ----- | Recommendation ----- | Comments of the Accounting Officer ----- |
|--|--|--|
| (i) The debit balance of Rs.394,951 In the dishonored cheques account As at 31 December 2018 had not been confirmed by documents and this had not been identified and settled. | Action should be taken to recover balances receivable. | Action is being taken to rectify this balance under the Rectification of Balances Project. |
| (ii) Action had not been taken to recover from the final bills of the contractor the sum of Rs.95,074 exceeding 06 years granted as a pre-payment in 2012. | Action should be taken to recover | Accepted. Action will be taken to rectify in future. |

(d) Lack of necessary Documentary Evidence for Audit

| Audit Observation ----- | Recommendation ----- | Comments of the Accounting Officer ----- |
|---|--|--|
| Three items of accounts valued at Rs.55,166,020 could not be satisfactorily vouched/verified in audit due to lack of relevant evidence. | Information to confirm balances of accounts should be furnished. | Action is being taken to rectify this balance under the Rectification of balances Project. |

1.4 Non compliance

1.4.1 Non-compliance with laws, rules, regulations and management decisions

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

| Reference to Laws, Rules, Regulations and Management Decisions | Value | Non-compliance | Recommendation | Comments of the Accounting Officer |
|--|--------------|---|---|--|
| ----- | ----- | ----- | ----- | ----- |
| | Rs. | | | |
| Financial Regulation 571 Of the Democratic Socialist Republic of Sri Lanka | 1,475,628 | Action had not been taken with regard to deposits over 02 years. | Action should be taken according to the Financial Regulation | Accepted. Action will be taken to rectify in future. |

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the year under review amounted to Rs.43,238,320as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.25,176,255.

2.2 Revenue Administration

2.2.1 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 | 2018 | | | | 2017 | | | |
|-------------------|-------------------|----------------|-------------------|---------------------------------|-------------------|----------------|-------------------|---------------------------------|
| | 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 | 56,065 | 56,198 | 46,935 | 40,944 | 55,801 | 55,951 | 53,299 | 52,070 |
| Rent | 14,600 | 11,467 | 15,357 | 10,076 | 14,022 | 11,242 | 15,112 | 18,589 |
| Licence Fees | 400 | 835 | 872 | - | 450 | 461 | 1,396 | - |
| Other Revenue | 82,878 | 85,277 | 85,277 | - | 79,090 | 35,070 | 35,070 | - |

2.2.2 Rates and Taxes

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|---|---|--|
| ----- | ----- | ----- |
| (a) Distraing Officers had not been appointed since 2018 and the council's contribution towards recovery was less. | Action should be taken to recover arrears of rates. | Action had been taken to increase revenue by appointing 02 distraing Officers on 20 February 2019. |
| (b) Out of the arrears of revenue to Rs. 52,070,000 from rates as at 01 January 2018, Rs.23,254,449 had been recovered during the year showing that the percentage of recovery of arrears of rates was 46.17 per cent. Of these Rs.43 Lacks were due from 02 Institutions itself. | Incentive action should be taken for payment of arrears of rates by issuing distraing orders. | Action is being taken to recover the balance. |

2.2.3 Rent

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|---|--|---|
| ----- | ----- | ----- |
| (a) Action had not been taken to recover arrears of house rent of Rs.945,5440 from 29 houses of the Balahena watte Housing Scheme of the Council as at 31 December 2018. Legal action had only been taken against 09 of these houses. | Action should be taken to recover arrears of house rent. | The lawyers had been entrusted with the task of issuing summons on 05 September 2018 in order to take legal action against 09 defaulters who owes arrears of balance of over Rs.50,000. |
| (b) A portion of land adjoining the Hendala Junction canal belonging to the Council had been given on lease to 06 persons 15 years ago for constructing stalls and the lease period had expired by June 2017. | Stalls which acts against the agreements should be received back by the Council. | Agreements had already been signed for 04 stalls. Problems had occurred regarding 04 stalls given on lease to a person who had expired and signing of agreements had |

The Council had again decided to give 04 Stalls on lease to the same persons for a period of 15 years for which agreement had not been entered into even by April 2019. The arrears of house rent of Rs.189,000 had not been paid and action had not been taken to acquire the stalls.

been delayed. Approval of the Council had been obtained to acquire the other 04 stalls and action will be taken accordingly.

- | | | | |
|-----|--|--|---|
| (c) | Recovery of arrears of rates was 58.6 Per cent as Rs.10,882,968 had been Recovered during the year under review Out of the arrears of Rs.18,589,000 as at 01 January 2018. | Recovery of arrears of rent should be intensified. | Action is being taken regarding balance of arrears. |
| (d) | The poultry shop of the Mabola shopping Complex bearing No.03 had been given on lease at the rate of Rs.32,000 per month from 01 September 2018 to 31 August 2021, a period of 03 years, without calling for annual tenders. | Tenders should be called for with regard to lease. | The Council had decided to call for tenders on 06 July 2018. The Council had offered it with an increase of 10 per cent per year without causing financial loss to the Council. |

2.2.4 Other Revenue

| Audit Observation ----- | Recommendation ----- | Comments of the Accounting Officer ----- |
|---|---|---|
| Revenue from Towers Rates amounting to Rs.114,667 had not been recovered from 02 telecommunication towers as at 31 December 2018. | Revenue of the Council should be recovered within the specified Period. | The institution concerned had been requested to pay the arrears of tax. Action will be taken to recover the entire arrears before the end of 3 rd quarter of 2019. |

3. Operating Review

3.1 Performance

According to the Section 3 of the Pradeshiya Sabha Act the following matters were revealed with regard to functions to be performed by the Sabha regarding regularization and administration of public health, common amenities services and public highways, health propensities of the Public, facilities and welfare etc.

(a) Annual Action Plan

| Audit Observation ----- | Recommendation ----- | Comments of the Accounting Officer ----- |
|--|--|--|
| (i) Four functions had been shown under the common amenities development in the Action Plan. One project belongs to the Project included in the Action Plan 2017. The other project had not been executed. Plans only had been prepared for the other 02 projects by 09 November 2018. | Action should be taken according to the Action Plan. | The Hendala Shopping complex had been repaired In 2017. Plans are afoot to demolish unauthorized structures at Hendala junction and for construction of new building. |
| (ii) Although plans had been prepared to execute 03 functions under the office Building Development in the Action Plan, preparation of plans only had been done by 05 November 2018. | Action should be taken according to the plan. | Generation of electricity through solar energy for the Office building, construction of a playground at Fatima Road, Installation of a LED type advertisement Board and construction of a Front Office are to be executed in future. |

(b) Sustainable Development Targets

| Audit Observation ----- | Recommendation ----- | Comments of the Accounting Officer ----- |
|---|---|--|
| The sustainable development objectives and targets to be achieved during 2015-2030 should be identified and indicators should be identified to measure and regulate such objectives and targets, identification of annual targets and preparation of Action Plan accordingly had not been done, as required by Sustainable Development Agenda 2015 – 2030 of the United Nations Organization. | A sustainable development plan should be prepared and action should be taken to achieve it. | The sustainable development plan had been referred to the Ministry of Local Government on 15 March 2019. |

3.2 Management Inefficiencies

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|---|--|
| (a) A sum of Rs.1,921,486 had been spent to repair the Hendala Shopping Complex in 2017. Again, it had been planned to demolish the building in 2018 for constructing a new building. Accordingly, the expenditure during the previous years had become fruitless. | More attention should be paid while planning. | The traders Association had made a request. As such the work had been accomplished as the construction of the Hendala Shopping Complex was essential |
| (b) A building had been hired on rent at the rate of Rs.65,000 per month to conduct the pre-school of the Urban Council on a temporary basis. The safety of the building, sanitary facilities and the facilities to enter the place etc., had not been taken into consideration. | Facilities at the building should be looked into. | The lady Commissioner of Local Government had verbally informed of this. Written authority will be obtained for future activities. |

3.3 Human Resources Management

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|--|---|
| Loan balances of Rs.225,830 due from 98 employees as at end of the year under review remained unrecovered for a long time. | Balances receivable should be recovered. | Permission to write off loan balances of Rs.251,466 out of the entire sum of Rs.282,741 had been referred to the Secretary to the Ministry of Local Government. |

3.4 Procurement

3.4.1 Procurement Plan

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|---|--|---|
| According to the budget prepare for 2018 a sum of Rs.19,000,000 had been provided for maintenance of capital assets. But, a procurement plan had not been prepared. | A procurement plan should be prepared. | Action will be taken to prepare this in 2019. |