

Wattala Pradeshiya Sabha
Gampaha District

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year 2019 had been presented for audit on 03 March 2020 and the report of the Auditor General on 31 July 2020 and the Detailed Management reports on 30 September 2020 had been sent to the Chairman of the Council.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the, basis for qualified opinion under Section of my report the financial statements give a true and fair view of the financial position of the Wattala Pradeshiya Sabha as at 31 December 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

1.3.1 Accounting Deficiencies

| Audit Observations ----- | Recommendations ----- | Comments of the Accounting Officer ----- |
|--|---------------------------------------|--|
| (a) As according to the Stock Verification reports, the general stock amounted to Rs.5,483,303 yet it was shown in Financial Statements as Rs.6,502,396 and as such the stocks were overstated by an amount of Rs.1,019,093. | Should be accounted correctly. | Will be rectified in future. |
| (b) Although the value of the Land of the Paranaambalama Community Hall amounted to Rs.335,391 as according to the Fixed Assets Register, it was capitalized as Rs.60,000. | Correct values should be capitalized. | Will be rectified in future. |
| (c) An amount of Rs.133,857 was overstated related to 02 Creditors in the accounts and an amount of Rs.72,050 was understated related to 03 Creditors in the accounts. | Should be accounted correctly. | Action will be taken to rectify the sub registers. |
| (d) An amount of Rs.439,879 to be collected for no pay leave was not shown as Debtors. | Should be accounted correctly. | Action will be taken to separate the receivable values as Debtors. |

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|-----|---|--------------------------------|--|
| (e) | Supply and Equipment and Capital Equipment Expenditure Account balances were understated by Rs.750,000 and Rs.10,000 respectively in the Income and Expenditure accounts. | Should be accounted correctly. | Action will be taken to rectify in the future. |
| (f) | The Value of the Electronic Elevator belonging to the council had not been bought into the Financial Statements. | Should be accounted correctly. | Will be rectified in 2020. |

1.3.2 Lack of documentary evidence for audit.

| Audit Observations | Recommendations | Comments of the Accounting Officer |
|--|---|---|
| Required information were not present for vouching 06 items of accounting amounts to Rs.293,684,281. | Shown audit evidence should be presented for Audit. | Action will be taken to rectify in the year 2020. |

1.3.3 Unreconciled Accounts

| Audit Observations | Recommendations | Comments of the Accounting Officer |
|--|--|---|
| (a) A difference accumulated of Rs.37,681,502 had been appeared between 05 account balances stated in the financial statement and its subsidiary registers. | Action should be taken to rectify registers and sub registers. | Action will be taken to rectify in 2020. |
| (b) An amount of Rs.595,753 was understated as according to the Staff Loan Register. And an amount of Rs.930,000 Festival Advances given to 93 staff members on 06 December 2019 had not been included in to the sub register. | Action should be taken to rectify Registers and sub registers. | Action is already being taken to rectify. |

1.4 Non compliance

1.4.1 Non-compliance with Laws, Rules, Regulations and Management Decisions.

| References to the Laws, Rules, Regulations and Management decisions | Non-compliance | Recommendation | Comments of the Accounting Officer |
|---|--------------------|--|--|
| (a) 1987 Pradeshiya Sabha Act No.15 | Paragraph 24(1)(a) | The roads belonging to the area of authority of the council were not | Action should be taken according to Measurement work is in the |

| | | |
|--|----------|--|
| acquired and although 1909 roads belonged to the council, yet they were not gazette. | the Act. | final stages to gazette 30 roads belonging to the council. |
|--|----------|--|

| | | | |
|---------------|--|--|---------|
| Paragraph 219 | Although the members or workers of the council should not have any Financial connections with the council directly or indirectly for any agreement or work, Reception hall belongs to the Council had been rented to a wife of a member and an amount of Rs.974,800 was to be recovered from that as Rent as at 30 May 2009. | Action should be taken according to the Act. | Agreed. |
|---------------|--|--|---------|

| | | | |
|---|---|---|---|
| (b) Rule 193 of the 1988 Pradeshiya Saba (Financial and Administrative) Rules | A statement had not been prepared and presented for audit on the reasons for the Excess and Deficiencies of each items of Income and Expenditure after comparing the Budgeted Financial provisions and Complimentary. | Action should be taken according to the Pradeshiya Sabha Rules. | Will be presented to the audit prepared as at 31 December of the year 2020. |
|---|---|---|---|

| | | | |
|---|---|---|---|
| (c) Financial Regulation 571 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka | Action had not been taken for Deposits amounting to Rs.2,405,622 expired more than 2 years. | Action should be taken as according to the Financial Regulations. | Action will be taken to get the deposits in the Council Fund. |
|---|---|---|---|

1.5 Receivable and Payable Balances

(a) Receivable Balances

| Audit Observations | Recommendations | Comments of the Accounting Officer |
|--|---|--|
| (i) The Miscellaneous Debt balance as at 31 December 2019 included an amount of Rs.974,800 due from 5 – 10 years, an amount of Rs.6,713,002 due from 1 – 3 years and an amount of Rs.68,676,751 due from lesser than one year. | Action should be taken to recover receivable balances in exigent. | Action will be taken to recover in future. |
| (ii) A receivable amount of Rs.6,713,002 for Works from 2016 to 2018 was not received. | Action should be taken to recover receivable balances. | Action will be taken to recover in future. |

(b) Payable Balances

| Audit Observations | Recommendations | Comments of the Accounting Officer |
|---|--|--|
| (i) The Creditors balance as at 31 December 2019 included an amount of Rs.64,774 due from 5 – 10 years, an amount of Rs.49,146,947 due from 1 – 3 years and an amount of Rs.134,040,433 due from lesser than one year. | Action should be taken to settle. | Action will be taken to settle. |
| (ii) An amount of Rs.64,774 to be paid to the Sri Lanka Engineering Corporation since 2013 and a payable amount of Rs.157,012 due to commission for Collection of arrears of Assessment since 2016 had not been settled. | Action should be taken to resolve payable balances. | Action will be taken according to the final decision of investigation regarding to the commission amounting to Rs.157,012 related to the collection of Arrears of Assessment of 2016 |
| (iii) An unidentified stock since 2008 named as waterworks stock balance amounting to Rs.729,708 and a balance named as temporary pension account amounting to Rs.22,175 had been bought forward repeatedly without any settlement. | Action should be taken to resolve after identifying unidentified balances. | Will be rectified by the preparation of final accounts of 2020. |

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, the Revenue over Recurrent Expenditure of the Council for the year ended 31 December 2019 amounted to Rs.22,483,963 as compared with the corresponding Revenue over Recurrent Expenditure for the preceding year amounted to Rs.93,428,047.

2.2 Financial Control

| Audit Observations | Recommendations | Comments of the Accounting Officer |
|---|---|--|
| (a) Although the object of the council to spend the funds of the council according to a plan so as to give the maximum benefit to the citizens within the area of authority of the council, amounting to Rs.64.23 million had been invested in 20 fixed deposits without prior plans. | Maximum benefits should be taken from provisions. | Expected to spend so as to get maximum benefits in 2020. |

- (b) Although the cheque amounting to Rs.974,800 paid in 2014 for the Rent to be received for the Reception hall of the Halanda shopping complex was dishonored and the amount had not been received. Action should be taken to recover the receivable income in the relevant dates. Agreed.

2.3 Revenue Administration

2.3.1 Estimated Income, Billed Income, Collected Income, and Arrears of Income

The details of the Estimated Income, Billed Income, Collected Income and Arrears of income for the year under review and the preceding year are shown below.

| Source of Income | 2019 | | | | 2018 | | | |
|------------------|------------------|---------------|------------------|--|------------------|---------------|------------------|--|
| | Estimated Income | Billed Income | Collected Income | Total arrears of income at 31 December | Estimated Income | Billed Income | Collected Income | Total arrears of income at 31 December |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Rates and tax | 81,888,000 | 93,055,708 | 94,277,899 | 57,770,373 | 78,650,700 | 87,885,932 | 95,446,728 | 58,992,564 |
| Rent | 6,076,700 | 8,478,117 | 8,021,476 | 6,528,760 | 2,700,000 | 2,160,330 | 2,160,330 | - |
| Permit fees | 2,850,000 | 2,752,411 | 2,752,411 | - | 4,000,250 | 4,508,171 | 4,981,498 | 6,072,119 |
| Other income | 108,501,057 | 49,912,427 | 49,912,427 | - | 148,821,550 | 183,357,043 | 183,357,043 | - |
| | 199,315,757 | 154,198,663 | 154,964,213 | 64,299,133 | 234,172,500 | 277,911,476 | 285,945,599 | 65,064,683 |

2.3.2 Assessment and Tax

Audit Observations

Arrears of assessment tax with 04 units more than Rs.200,000, 07 Assessment tax units of more than Rs.100,000, 07 units more than Rs.75,000 and 01 unit more than Rs.60,000 was present in Hadanda Sub office.

Recommendations

Action should be taken to recover arrears of assessment tax.

Comments of the Accounting Officer

Action is being taken to recover arrears of assessment tax.

2.3.3 Environment Permit Income.

Audit Observations

- (a) It was estimated to collect an amount of Rs.100,000 from environment permits. Yet identification for all the institutes to obtain

Recommendations

Action should be taken to identify institutes that

Comments of the Accounting Officer

The relevant divisions were notified to pay

environmental permits was not done relevant to all three sub offices.

should obtain more attention to environment issue permits and collect environmental income. permits after conducting a Field inspection.

(b) Although environmental permits for 05 institutes were cancelled, applications had not been sent for renewal.

Issue of The relevant environmental divisions were permits and other notified to pay related works more attention on should be feed the issue of backed. environmental permits.

2.3.4 Transmission Tower Income

Audit Observations

Recommendations Comments of the Accounting Officer

(a) Although 35 transmission towers were identified, steps were not taken to collect Business tax from the relevant institutes which the wave transfer equipment fixed in the towers

Action should be taken to collect the relevant income. Action will be taken to include relevant registers to collect business tax from the Transmission towers when imposing the annual tax for 2021.

(b) There was an arrears income amounting of Rs.244,802 from 13 towers in the Hadanda sub office area.

Action should be taken to recover arrears of income. Will be collected in future.

2.3.5 Arrears of Shop rent

Audit observations

Recommendations Comments of the Accounting Officer

There were an arrears of Rs.2.57 million from 25 shop rooms in Kerawalapitiya belonging to Handala Sub office from the year 2012 to 30 September 2019 and an arrears of Rs.3.69 million from 16 sealed shop rooms in the Kerawalapiyiya Shopping complex from 2012 to 2017.

Action should be taken to recover arrears of income. Action will be taken to resolve.

3. Operational Review

3.1 Performance

Facts observed relating to the execution of activities by the Pradeshiya Sabha in accordance with Section 3 of the Pradeshiya Sabha Act such as regulation of health of the general public, common utility services and public road facilities and maintenance of people's welfare, facilities and development are given below.

(a) By Laws

| Audit Observations | Recommendations | Comments of the Accounting Officer |
|---|--|--|
| Although By laws should be enacted to perform 21 main facts under the Paragraph 126 of the Pradeshiya Sabha Act, only 12 By laws were enacted by the Council even up to 31 December 2019. | Action should be taken to embrace By laws relevant to the council. | Attention has been bought to embrace by laws relevant to several main facts in the year 2020 |

(b) Action Plan

| Audit Observations | Recommendations | Comments of the Accounting Officer |
|--|---|--|
| 06 Activities to be finished as at the year under review as according to the Action Plan were not fulfilled even as at the end of the year under review. | Action should be taken according to the plan. | Had not been fulfilled since the Provisions were not made. |

(c) Abandoned Works

| Audit Observations | Recommendations | Comments of the Accounting Officer |
|--|--|---|
| 37 projects were abandoned from the 246 works received by the council under Gamperaliya Development Project in 2019. | Provisions should be made for the projects without provisions. | 37 uninitiated projects and project without agreements were not done. |

(d) Not achieving expected benefits.

| Audit Observations | Recommendations | Comments of the Accounting Officer |
|---|---------------------------------------|------------------------------------|
| Although a building was constructed by spending Rs.20 lakhs on 2014 in the land where | Action should be taken to use it in a | Agreed. |

Handala Cattle slaughterhouse was situated, yet no benefits were achieved from the building.

way that would bring benefits to the council.

(e) Environmental Problems

Audit Observations

Recommendations

Comments of the Accounting Officer

Although 217 public complains were received regarding environmental problems in the year under review yet 73 of them were unresolved.

More attention should be given to the unresolved public complains.

More attention had been given regarding public complains.

(f) Sustainable Development Goals

Audit observations

Recommendations

Comments of the Accounting Officer

Plans had not been made according to 2019 Agenda for the Purposes of Sustainable Development for the global view of such purposes to enhance the living standards and health of the people living in the Council Territory. A Corporate Plan for Sustainable Development was not made for the year from 2019 – to the year 2023.

Action should be taken to initiate relevant plans.

Relevant plans could not be initiated due to the uncertainty situation in the country.

3.2 Human Resource Management

(a) Vacancies of cadre

Audit Observations

Recommendations

Comments of the Accounting Officer

(i) A Librarian position from 2013, 02 Revenue Inspector Position since 2013 and 2017, 02 Management Assistant positions since 2018 and March 2019 and a Preschool Teacher position since 2013 were left vacant.

Action should be taken to fulfill vacancies.

All the recruitment is being done through the Public Service Commission and as such vacancies were notified using Quarterly report in each quarter.

- (ii) Although permanent positions were given to 12 Primary level Health labors and 35 field labors, they were not included in to the approved cadre. Action should be taken to revise the approved cadre. Related action had been taken.

(b) No Pay Leaves

Audit Observations

366 No pay leave had been taken by 35 workers as at the year under review and an amount of Rs.439,879 was to be collected as at 31 December 2019.

Recommendations

Action should be taken to recover receivable funds.

Comments of the Accounting Officer

All recoveries are to be done in the following months.

(c) Staff Loans

Audit Observations

A distress loan and Festival Advance balance amounting to Rs.70,100 was to be collected from 17 staff members who had diseased or had left service from 2012 to 2018 and a balance distress and special loan amounting Rs.94,380 to be collected from 07 staff members due from more than 16 years was present.

Recommendations

Actin should be taken to collect receivable balances.

Comments of the Accounting Officer

Actions are being taken to rectify the un updated Loan registers and sub registers with the help of another officer as the Officers in charge had transferred.

3.3 Operational Inefficiencies

(a) Not revising the Estimates of Assessment Tax

Audit Observations

Although 10 yeas have passed since the last Property assessment of the area of authority of the council, yet since the Assessment have not been revised present assessment values of 58,003 properties within the area of authority of the council could not be collected.

Recommendations

A proper new assessment should be made for Property.

Comments of the Accounting Officer

It is expected that a new Assessment will be made and acted accordingly.

(b) Tax on Land Sale

Audit Observations

Recommendations

Comments of the Accounting Officer

The 1 percent income to be collected according to the selling value for the land sold after being pieced within the area of authority of the council had been collected under the estimates of an officer in the revenue division. Although Tax amounting to Rs.1,770,305 was collected from selling 05 Land from the Hadala Sub office and one land of the Welisara Sub office in the year under review, yet since the basis was not the true sale value a considerable amount of income was lost to the council.

Action should be taken to collect on the basis of the true sale values.

Advice have been given to collect the 1 percent relevant to the sold pieced land according to the new Estimates.

(c) Leasing of Shop rooms

Audit Observations

Recommendations

Comments of the Accounting Officer

(i) 04 shop rooms since 2007, one shop room since 2013, one shop room since 2017 and 02 shop rooms since 2016 were not leased.

Action should be taken to obtain the expected benefits.

Although these shop rooms were put up for tender in several occasions, since there were no applicants the rooms were used for council purposes.

3.4 Asset Management

3.4.1 Failure to collect the income to be received from Assets.

Audit Observations

Recommendations

Comments of the Accounting Officer

The income of the Preethipura Bathing center could not be collected as at July 2014 since as the water tank had fallen and the water supply was suspended. The council had not paid attention to generate income after fixing this from then till now.

Action should be taken to collect the receivable income to the council.

Arrangements have been made to collect income after repairing the water tank of the Preethipura Bathing center.

3.4.2 Failure to Ensure Security of Assets.

Audit Observations

Although a total of 160 land belonging to the council included 49 Land with wells, 21 Playgrounds, 21 Community centers, 08 Cemeteries, 09 public facility lands, 39 Miscellaneous land and 13 physically unverified land, yet deeds had been made only for 78 of land.

Recommendations

Action should be taken to solidify the ownership of the relevant lands.

Comments of the Accounting Officer

Due action is to be taken to measure the relevant land and prepare Plans.

3.4.3 Assets not Acquired

Audit Observations

Action had not been taken to acquire 06 vehicles belong to the council.

Recommendations

Action should be taken to acquire the relevant vehicles.

Comments of the Accounting Officer

Action will be taken to acquire the relevant vehicles without delay.

3.4.4 Inactive/ Underutilized Assets

Audit Observations

-
- (a) A cab since 2009, a tractor since 2013, and 04 tractors since 2017 were left in a defective/ degraded stated in the Hadanda and Welisara vehicle yards.
 - (b) 132 galvanized pipes given to the council by the Ministry of Local Government in November 2014 were left unutilized.
 - (c) No developmental work was done for 05 lands received by the council as Public facilities.

Recommendations

-
- Steps should be taken for dispose vehicles in exigent.
 - Action should be taken according to the Financial Regulation.
 - The land received as Public facilities should be used for developmental work.

Comments of the Accounting Officer

-
- Degraded and defective vehicles had been presented or auction
 - Will be reported after looking the matter.
 - Relevant action will be taken to use all the public facilities land for development.

3.4.5 Alienation of Assets

Audit Observations

A gift deed amounting to Rs.188,000 of 11 acres 02 ruda 11 perch in Uswatakeyawa Parse estate land was given to the council by the Venerable Professor Nicholas Marques Pranandu Bishop in 1988 and the land was divided into 57 or near pieces by the Chairman and Secretary of the council and alienated as gift deeds.

Recommendations Comments of the
Accounting
Officer

Council property should be protected. Will report after conducting a proper search.

3.5 Identified Loss

Audit Observations

A stock of Iron rods was stolen from the warehouse in May 2019 and it had been complained to Wattala Police station in 24 May to a follow up had not been taken regarding this matter.

Recommendations Comments of the
Accounting
Officer

Relevant action should be taken after looking into this. Investigative action is being undertaken by the OIC of the Wattala Police Station.

3.6 Procurement

3.6.1 Annual Procurement plan

Audit Observations

An procurement and Detailed annual action plan was not prepared according to the 4.2.1 (b) and (c) of the Circular No.08 National Procurement dated 25 January 2006.

Recommendations Comments of the
Accounting
Officer

The plans should be prepared according to the relevant Circular. Attention have been directed to prepare a plan according to the relevant Circular.