

Wanathawilluwa Pradeshiya Sabha

Puttalam District

1. Financial Statements

1.1 Presenting financial statements

The financial statements for the year 2019 were submitted for audit on 28 February 2020 and the Auditor General's summary report on those financial statements was sent to the Chairman on 30 June 2020 and the detailed management report on 24 July 2020.

1.2 Qualified Opinion

In addition to the implications of the facts described in the base section for the Qualified Opinion in this report, I express that the financial statements express the financial position and its financial performance of the Wanathawilluwa Pradeshiya Sabha for the year ended 31 December 2019 in accordance with generally accepted accounting principles.

1.3 Basis for the Qualified Opinion

(A) Accounting Deficiencies

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
(i) The value of the land on which the Eluwankulama Circuit Bungalow is located and the value of the buildings constructed at a cost of Rs.25,195,722 had not been capitalized.	The appraised value of the land and the capital expenditure should be identified and accounted.	I kindly inform you that the value of the capital will be considered in the future under the recommendation of the Commissioner of Local Government.
(ii) The value of the land on which the Wanathawilluwa Children's Park was constructed had not been taken into account.	The land should be assessed and the value take into accounts.	I kindly inform you that the value of the land on which the Wanathawilluwa Children's Park has been constructed will be assessed.
(iii) The sabha had purchased Rs. 2,798,117 three assets balances were listed in the account as assets when they could not be physically identified.	The information should be kept up to date and capital assets should be identified and accounted for	As there is no record of asset purchase information prior to 2010, it is not possible to identify exactly which asset this balance belongs to.

(B) Accounts Receivable and payable

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
(i) The total of 12 account balances due to the Sabha as at 31 December 2019 was Rs.12,269,467 out of which outstanding balance over 03 years was Rs.874,830.	Action should be taken to recover the revenue due expeditiously	A large amount of acreage tax is uncollectible. A request has been made for a cut. I would also like to inform you that we are working to take back the lease rights of the shops.
ii) The total of 06 account balances payable as at 31 December 2019 was Rs. 13,164,862 out of which the balance due over 03 years was Rs. 3,467,635.	Payments due should be identified and settled promptly.	I kindly inform you that in the future we will act in accordance with Financial Regulations 157

(C) Lack of written evidence required for the audit

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
Due to non-submission of required information, 10 account subjects amounting to Rs.277,963,288 could not be examined satisfactorily during the audit	Written evidence confirming the balance of accounts in the financial statements is required.	I accept.

1.4 Non-compliance**1.4.1 Non-compliance with rules, regulations, regulations and management decisions**

The following discrepancies were observed during the audit.

<u>Reference to Laws, Rules, Regulations and Management Decisions</u>	<u>Non-compliance</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
(A) <u>1988 Pradeshiya Sabha (Finance and Administration) Rules</u>			
(i) Rule No. 5 (3)	An internal inspection did not adequately conduct of revenue collection.	Adequate internal inspection should be performed.	Accepted.

(ii) Rule No. 65	A list of defaulters had not prepared at the end of the period allowed for payments.	The relevant rules should be followed.	Accepted.
(iii) Rule 66	The Secretary had not acted in accordance with 150 (4) of the Pradeshiya Sabha Act No. 15 of 1987.	The relevant rules should be followed.	Accepted.
(iv) Rule No. 205	Action had not taken on the items to be destroyed and auctioned as per the Survey Report relevant to the year 2018	Relevant recommendations should be followed.	Accepted.
(v) Rule No. 218	All lands and buildings belonging to the House had not been surveyed once every year.	The relevant rules should be followed.	Accepted.
(B) Financial Regulations of Democratic Socialist Republic of Sri Lanka Financial Regulation 1645	The daily running charts of all vehicles used by the Sabha had not been submitted to the Auditor General.	Should comply with applicable Financial Regulations.	Accepted.

2. Financial Review

2.1. Financial Results

The financial statements presented by recurrent income over expenditure for the year ended December 31, 2019 and the total of Rs.2,662,719 in contrast, the expenditure over the income in last year was Rs.2,622,281.

2.2 Revenue Administration

2.2.1 Estimated Income, Billed Income, Accumulated Income and Deficit Income

Following is the information on the estimated revenue, billing income, accumulated revenue and arrears submitted by the Pradeshiya Sabha for the year under review and for the previous year.

<u>Source of Income</u>	<u>Year 2019</u>				<u>Year 2018</u>			
	<u>Estimated Income</u>	<u>Billed Income</u>	<u>Collected Income</u>	<u>Total Deficit as at 31 December</u>	<u>Estimated Income</u>	<u>Billed Income</u>	<u>Collected Income</u>	<u>Total Deficit as at 31 December</u>
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Rate and Tax	3,583	1,789	1,565	1,184	895	1,036	990	960
Rent Income	2,637	1,525		945	3,007	1,325	1,451	
Licence and Fee	458	307	1,795	287	19	571	384	6,449
Other Revenues	36,654	28,719	27,849	4,070	40,537	28,324	32,322	1,518
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	43,332	32,340	31,496	6,218	45,010	31,069	41,212	3,808
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Collected income includes income collected from billed income for the year and income collected from arrears.

2.2.2 Acre tax

<u>Audit observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
As at 31 December of the year under review of the outstanding balance between the deficit of Rs.663,642, Rs.600,168 had been recovered over the past year.	Documents should be kept up to date and correct arrears should be checked and action should be taken to recover the dues.	A large amount of acreage tax is uncollectible. A request has been made to the Commissioner of Local Government to inform the General Meeting in this regard and cut off the acreage tax that cannot be recovered in the long period.

2.2.3 Rent

<u>Audit observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
Formal action had not been taken to recover Rs.670,463 due from the shops which were rented out by the Sabha and action had not been taken to acquire those shops.	Should be done according with applicable agreements.	Steps are being taken to stop billing of unpaid shops in the year 2020 and re-acquire the lease right.

2.2.4 Court Fines and Stamp Duty

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
The court fine due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2019 was Rs.1,201,702 and the stamp duty was Rs.2,776,237.	Action should be taken to recover the court fines and stamp duty due.	Schedules required to obtain the relevant funds have been prepared and forwarded to the Provincial Revenue Department in June 2020.

3. Operational Review

3.1 Performance

Following are the observations made under Section 3 of the Pradeshiya Sabha Act regarding the regulation and control of matters relating to public health, public utility services and public roads, and the performance of the functions of the Sabha which were to be performed by the well-being, convenience and welfare of the people.

(A) By-laws

Audit Observation

In terms of Section 126 of the Pradeshiya Sabha Act, 1988, the By-Laws were gazette on 42 points and five by-laws were adopted. By-laws that could have collected Sabha revenue through it had not been implemented. Ex: - vehicle (three-wheeler) parking lots .

Recommendation

The by-laws that have been embraced should be implemented.

Comments of the Accounting Officer

All existing by-laws applicable has embraced to the institution. But in practice there are difficulties in implementation. I will work to correct it in the future.

(B) Unclaimed Assets

Audit Observation

Action had not been taken to legally take over the land ownership of the 57 stalls built by the Sabha from the Divisional Secretary.

Recommendation

Action should be taken to expedite the relevant acquisitions.

Comments of the Accounting Officer

Necessary arrangements have been made to take over the relevant lands legally to the Sabha and the Divisional Secretary has issued survey orders. Our institution also does not have the capability to perform paid surveys.

(C) Unfulfilled Functions

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
Although the area is part of its mission to protect the natural environment as it consists of a beautiful lagoon and two streams, the Sabha has not taken the necessary steps to protect, develop and improve the living standards of the people in the area through its fisheries resource development.	Action should be taken to carry out development related tasks.	I kindly inform the Environmental Officer that action will be taken to carry out coastal conservation programs in the future.

(D) Solid Waste Management

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
The compost yard, which was built at a cost of Rs.4,238,619, remained idle full time because of waste management was completely stopped since 2018.	A systematic program for compost production should be implemented and inactive assets should be utilized full time.	Since the concrete on the compost floor of the Waste Management Center was broken, it could not be produced in a standardized manner and I would like to inform you that it will be prepared and composted in the future.

(E) Sustainable Development Goals

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
The United Nations Sustainable Development Agenda 2030 "identified the Sustainable Development Goals and Objectives and not adopted them in the year under review.	Necessary activities need to be planned to achieve the Sustainable Development Goals.	I kindly inform you that efforts have been made to achieve the Sustainable Development Goals in accordance with the available physical and human resources of the Sabha.

3.2 Management inefficiencies

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
The amount of Rs.58,775 spent by the Sabha on the reimbursement basis for obtaining electricity for the Eluwankulama water pumping station has been over for over a year but no action has been taken to recover it.	Action should be taken to obtain the relevant funds.	I kindly inform you that action have been taken to recover this money.

3.3 Human Resource Management

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
There was a surplus of 23 employees, both casual and contract, who were paid from the Sabha Fund.	Steps should be taken to fill staff vacancies and to approve surplus posts.	Pre-school assistants referred to as primary employees have been recruited as per Circular No. 25/2014. It is stated that the salary is reimbursed by the Office of the Commissioner of Local Government and the employees were paid on a casual and contract basis through the Sabha revenue (Siam City Project).

3.4 Operational Inefficiencies

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
(A) Five buildings and equipment valued at Rs.9,001,205 remained idle due to non-functioning condition.	A systematic program should be followed to get the most out of idle resources.	I kindly inform you that we will work to formalize it in the future.
(B) A Library Assistant and two casual laborers were employed in the Vehicle Service Center run by the Sabha and the physical as well as human resources of the Service Center were often underutilized. The stock	Human and physical resources should be utilized effectively	The Library Assistant assigned to the Vehicle Service Center will be directed to the library where the 6th post is expected to be opened in the future, where he is expected to perform both service center and

documents maintained at the service center had not been balanced for more than a month and a physical inspection of the samples conducted on 10 February 2020 found a stock shortage of Rs.4,600. Even after calculating the expenses incurred for servicing the vehicles belonging to the Council, the annual loss of the service center in the year 2018 and 2019 was as high as Rs.743,788 and Rs.924,934 respectively.

library documentation services.

(C) The amount of Rs.3,633,827 had been producing cost of construction of the Erikkanvilluva Water Project water per day can produce 20,000 liters had been lost because of Rs.50,377 increase expenditure over water sales during the 08month period under review and was in the range of 3,000 to 1,000 liters of water.

It is necessary to carry out production activities at maximum capacity and for the sale of water to make profits.

I kindly inform you that we will work to formalize it in the future.

4. Accountability and good governance

4.1 Budgetary Control

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comment of the Accounting Officer</u>
According to the prepared budget, the allocation of Rs.3,292,000 for 27 expenditure items had been fully saved and the savings from 60 percent to 100 percent of the allocation for another 24 expenditure items was Rs.26,113,487	The budget should be prepared realistically and steps should be taken to carry out the relevant tasks in a timely manner.	Failure to collect the expected recurring and capital income in 2019 resulted in inability to incur expenses under certain expenditure subjects. Also, some expenditure heads show that there is no need to spend, which is a saving of funds.

4.2 Internal Audit

<u>Audit observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
Although an internal audit of the financial and operational activities of the House was conducted during the year under review, copies of the relevant reports were not submitted for audit.	Internal audit should to be strengthened.	I kindly inform you that an internal audit has been conducted every month regarding the financial and operational activities of the Sabha and the internal audit has been carried out till December 2019.