

**Wattegama Urban Council**  
**Kandy District**

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**1. Financial Statements**

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**1.1 Presentation of the Financial Statements**

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The financial statements of the year 2019 were submitted for audit on 23 April 2020 and the Summary report Auditor General on those financial statements has been forwarded to the Chairman on 23 May 2020 and the detailed management audit report on 31 May 2020.

**1.2 Qualified Opinion**

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In my opinion, except for the effect matters described in the basis for the qualified opinion section of this report, Financial statements give a true and fair view of financial position of the Wattegama Urban Council as at 31st December 2019 and its financial performance for the year then ended, in accordance with Generally Accepted Accounting Principles.

**1.3 Basis for the Qualified Opinion**

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(a) Accounting Deficiencies

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Audit Observation	Recommendation	Comment of the Accounting Officer
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(i) Two vehicles worth of Rs.209,990 which were not physically in the possession of the Council were not mentioned in the financial statement.	It should be accounted correctly.	It has been informed that further investigation and corrective action will be taken.
(ii) The total amount of previous payments of the previous years was Rs.563,628 which had not been adjusted in the accounts.	Should adjust the accounts and accounting should be done correctly.	It has been informed that action is being taken regarding these balances.
(iii) Stamp duty and court fines applicable for the year under review had not been accounted on accrual basis.	It should be accounted correctly.	It has been informed that action will be taken to rectify this in the coming year.
(iv) Provisions had not been made for audit fees for the year under review.	It should be accounted correctly.	It has been informed that action will be taken to rectify this in the coming year.

(b) Non-reconciled Accounts

Audit Observation	Recommendation	Comment of the Accounting Officer
There was a difference of Rs.3,879,276 between the balances shown in financial statements of 05 account subjects with total balance in the was Rs.64,863,864 and the balances shown in the subordinate documents.	Should compare the changes in the relevant balances and taking action to correct the accounts.	It has been informed that it will be corrected in the coming year.

(c) Accounts Receivable

Audit Observation	Recommendation	Comment of the Accounting Officer
The total value of the 3 account balances due on the last day of the year under review was Rs.5,500,261, out of which the balance of accounts over a period of 1-5 years was Rs.281,714 and a balance of over Rs.2,015,653.	It should be recovered of balances due.	It has been informed that action will be taken to rectify this in the coming year.

(d) Lack of written evidence required for audit

Audit Observation	Recommendation	Comment of the Accounting Officer
(i) Schedules for 4 account subjects valued at Rs.7,727,572 they had not been submitted to the audit.	Evidence confirming the account balance shown in the financial statements should be submitted.	It has been informed that action will be taken to rectify this in the subsequent year.
(ii) Under the Sustainable Development Program for the year 2018, 1500 seedlings of export crops had been purchased for distribution to home gardeners through council funds and out of which 1057 seedlings were not submitted for audit. Although 443 saplings were issued by the members for distribution to the low income people, there was no evidence that 208 saplings were distributed to the beneficiaries.	Action should be taken get the plants to the warehouse and duly distributed and certified and followed up.	The officer in charge of the subject has been transferred. I would like to inform you that I will call her and obtain information and answer the audit query.

## 1.4 Non-compliance

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

Refer to laws, rules, regulations, and management decisions	Non-compliance	Recommendation	Comment of the accounting Officer
(a) National Audit Act No. 19 of 2018 Section 16 (2)	Performance report had not been submitted with the annual financial statements.	Performance reports should be submitted along with financial statements.	Accepted.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka  Financial Regulations 237 (b)	Receipts of seedlings had not been included in the storage documents at the time of purchase of seedlings worth Rs.57,500.	Should act in accordance to the financial regulations.	It has been reported that it could not be included in the inventory due to a mistake.
(c) Circular No. 30/2008 dated 31 December 2008 of the Secretary of the Ministry of Public Administration and Home Affairs.	Although the distress loan in excess of Rs.250,000, the disaster loan had been paid exceeding that amount about Rs.130,000.	Should follow the circular instructions.	It has been informed that action will be taken to recover this amount.

## 2. Financial Review

### 2.1 Financial- Results

According to the financial statement presented, excess of revenue over recurrent expenditure of the Council for the year ended 31st December 2019 amounted to Rs.1,082,004 as compared with the corresponding amount in excess of revenue over recurrent expenditure for the preceding year amounted to Rs.13,212,819.

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Deficit Revenue

The details of Estimated Revenue, Billed Revenue, Collected Revenue and Revenue in for Reviewed year and preceding year are as follows.

Source of Revenue	2019				2018			
	Estimated Revenues	Billed Revenue	Collected Revenue	Total Deficit Estimated as at 31 December	Source of Revenue	Estimated Revenues	Billed Revenue	Total Deficit Estimated as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
)i( Rates and taxes	18,995,250	5,666,614	4,653,400	3,328,303	15,284,500	16,807,420	11,687,897	5,119,523
(ii) Rent	5,816,500	6,003,902	5,823,682	215,358	6,162,400	5,262,080	5,022,080	239,809
(iii) License Fees	1,060,000	890,100	890,100	6,000	1,021,000	1,011,150	1,006,150	5,000
(iv) Other Income	2,189,000	15,695,330	10,750,426	7,088,893	2,154,500	2,613,700	2,613,700	2,000,000
	28,060,750	28,255,946	22,117,608	10,638,554	24,622,400	25,694,350	20,329,827	7,364,332

### 2.2.2 Other Income

Audit Observation

Recommendation

Comment of the Accounting Officer

Water charges

The outstanding water charges as at 31 December of the year under review was amounting to Rs.4,208,589 and action had not been taken according to the agreement to recover the arrears balance .

Action should be taken to recover the outstanding water charges.

It has been informed that the arrears could not be recovered due to the announcement of the election.

### 2.2.3 Court Fines and Stamp Duty

Audit Observation

Recommendation

Comment of the Accounting Officer

The court fines due were Rs.1,925,504 and the stamp duty was Rs.954,800.

Taking action to bring it to the sabha expeditiously.

Informed that are being charged.

### 3. Operational Review

#### 3.1 Performance

Following are the findings of Section 4 of the Urban Councils Ordinance on the regulation and control of matters relating to public health, public utility services and public roads, and the performance of the functions of the Council in the welfare, convenience and welfare of the people.

##### (a) By-Laws

Audit Observation	Recommendation	Comment of the Accounting Officer
Under Section 157 of the Urban Council Ordinance, by-laws had to be enacted to fulfil 15 main matters but by-laws were imposed only for 10 matters	Should earn revenue by enacting by-laws in relation to the revenue generating functions of the sabha.	It has been informed that action will be taken to obtain approval for the essential by-laws.

##### (b) Solid Waste Management

Audit Observation	Recommendation	Comment of the Accounting Officer
About 1/2 ton of non-perishable waste collected by the sabha was not properly managed and the garbage brought in the mixture was exposed in the Dunoya paddy field.	Should be done waste management properly.	It has been informed that necessary action will be taken.

##### (c) Sustainable Development Goals

Audit Observation	Recommendation	Comment of the Accounting Officer
The Sustainable Development Goals have not been adequately identified and have not been adequately addressed.	Should identify the Sustainable Development Goals and take action to achieve them.	It had informed that the indicators have been prepared to identify the objectives and targets and measure the progress.

### 3.2 Management Inefficiencies

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) The balance of Rs.1,270,178 in the account of the Urban Development Authority owned by the council had not been used for development activities.	Action should be taken to develop cities.	Although a construction project has been proposed, it has been informed that it will not be implemented in 2019.
(b) the rates for the year 2019 had also been levied based on the rates for the year 2013.	Rates should be assed in every 5 years and action should be taken to charge fees.	The Valuation Department has been informed to revise the rates with effect from 01 January 2020.
(c) An arrears of Rs.195,913 had not been levied by leasing the ground floor of the old council building. The building has been out of use since 2018.	Should be recovered the arrears and all assets should be utilized.	It has been informed that work is underway to build an office and shopping complex.
(d) Rent was charged from 10 low rented houses on Kudugala Road as per 1992 assessment. The Council Fund had lost Rs.449,970 in revenue due to non-implementation of the new assessment in 2010.	Rent should be amended from the Valuation Department.	Assessed in 2010 and 2019 as well. The Local Government Commissioner has instructed to charge the same advance fee as on the 2010 protest. It has been informed that the General Assembly has given its approval to charge the previous fee without implementing the 2019 assessment.

### 3.3 Human Resource Management

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) There were 7 vacancies for 6 posts in the official staff.	Action should be taken to fill the vacancies.	I inform you that the actions are taking to recruitment is in progress
(b) There was a non-performing loan balance of Rs.558,621 of 5 transferred officers.	Action should be taken to recover employee debt.	It has been informed that action will be taken to recover.

- (c) For non-awarding of marks in accordance with the rules and regulations in recruiting for 3 vacancies in 3 posts of the Wategama Urban Council, awarding marks to those recruited on a voluntary basis, giving marks for forged periods by submitting fake service certificates and Those in the Urban Council area had been treated unfairly.
- Recruitment should be done in a transparent manner.
- It has been informed that the marks have been recruited by an interview board.

### 3.4 Operational Inefficiencies

#### Audit Observation

No action has been taken to obtain any money for 10 out of 30 houses on the 8 1/2-acre land belonging to the council at Delgahakanda land and due to the failure to issue deeds to the land owners who had paid by 2015.

#### Recommendation

Action should be taken to transfer lands legally by collecting money properly.

#### Comment of the Accounting Officer

Submitted to the Hon. Governor for approval by the Commissioner of Local Government. It has been informed that this issue will be resolved as soon as the approval is received.

### 3.5 Controversial Transactions

#### Audit Observation

On 03 February 2016, the sabha entered into an agreement with an agency to install a software system consisting of 7 sub-software, the expected results were not obtained which was 68 percent from the agreed value as Rs.445,000.

#### Recommendation

It should be completed the physical and human resources required to make this system operational.

#### Comment of the Accounting Officer

This system consists of 7 software installed and running 100% successful. Trained officers have been informed that transfers, maternity leave and computers are not operational due to inadequacy.

**3.6 Assets Management**

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**Non-performing or underutilized assets**

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Audit Observation	Recommendation	Comment of the Accounting Officer
----- The carpenter's machine worth Rs.333,700 and the generator worth Rs.129,500 remained idle.	----- Action should be taken assessed and auctioned unusable items.	----- It has been informed that it has been decided that it is suitable for sale in the 2019 Board of Survey.

**4. Accountability and Good Governance**

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**Internal audit**

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Audit Observation	Recommendation	Comment of the Accounting Officer
----- An officer has been appointed for internal audit but no adequate internal audit has been carried out.	----- It should be submitted the internal audit reports.	----- It has been informed that adequate internal audit will be carried out.