

**Wennappuwa Pradeshiya Sabha
Puttalam District**

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2017 had been submitted to Audit on 22 March 2018 and the Report of the Auditor General relating to those Financial Statements has been sent to the Chairman on 30 October 2018.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Wennappuwa Pradeshiya Sabha as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following matters were observed.

- (a) Recurrent expenditure of Rs.854,977 of the year under review had been brought to account as capital expenditure.
- (b) Two fixed deposit items of Rs.1,796,517 had not been capitalized.
- (c) A sum of Rs.4,262,025 received under the Puraneguma Project had been credited to the debtors account and as such, receipts of capital grants had been understated by that amount.
- (d) A sum of Rs.355,698 spent from the Sabha funds for the constructions of the Puraneguma Project during the year under review had not been capitalized.
- (e) Capital grants of Rs.806,395 received under the Puraneguma Project had been brought to account as recurrent expenditure.
- (f) Value Added Tax of Rs.3,546,356 relevant to the year under review had been stated as current assets.

1.3.2 Un-reconciled Accounts

The following matters were observed.

- (a) A difference of Rs.6,607,318 was observed between the balances according to the financial statements and the balance as per the subsidiary books/ schedules relating to 07 Items of Accounts.

- (b) A difference of Rs.2,575,609 was observed between the balances of 04 stock accounts and the financial statements of the year under review.
- (c) There was a difference of Rs.16,802,204 between the value of the fixed assets and the Revenue Contribution to Capital Input Account as at the end of the year under review.

1.3.3 Suspense Account

Suspense Account of Rs.384,602 existed in the monthly bank reconciliation statements prepared from December 2014 and dishonoured cheques of Rs.33,955 had not been settled even by April 2018.

1.3.4 Accounts Receivable and Payable

(a) Accounts Receivable

The Sabha had not taken any steps on the balance of Rs.151,793,850 of which detailed information had not been ascertained and included in the receivable accounts.

(b) Accounts Payable

The Sabha had not taken any steps on the balance of Rs.23,124,936 of which detailed information had not been ascertained and included in the payable accounts.

1.3.5 Lack of Documentary Evidence

Since necessary information had not been made available, 06 items of accounts totaling Rs.347,895,628 could not be satisfactorily vouched in audit.

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

Instances of non-compliance with Laws, Rules, Regulations and Management Decisions are as follows.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance
-----	-----	-----
	Rs.	
(a) Pradeshiya Sabha Act No.15 of 1987		
(i) Section 129 (2) (a)and (f)	174,347,175	Court fines, Stamp Duty and rents receivable by the Sabha had not been recovered.
(ii) Section 136	5,269,952	Rates of Rs.4,846,680 and Acreage Tax of Rs.423,272 relating to the taxable properties of the Sabha had not been recovered.

(iii) Section 143	4,867,000	Buildings situated in the area of authority of Sabha had not been assessed once in 05 years and recovered taxes thereon.
(a) Pradeshiya Sabha Rule (Finance and Administration) of 1988		
(i) Rule No.5(3)		An internal examination had not been carried out relating to the collection of revenue.
(ii) Rule No.5(7)		An internal audit had not been conducted on financial and stores affairs.
(iii) Rule No.10(2)		It had not been ensured that each project was implemented in conformity with the targeted dates.
(iv) Rule No.10 (8)		Three assets items belonging to the Sabha had been misplaced and accordingly, action had not been taken to ensure the protection of the properties.
(v) Rule No.33		A list of the defaulters of the payment of Rates and warrants of the prohibition of properties had not been prepared at the end of each quarter.
(vi) Rule No.61		All industries, business enterprises and professions within the area of authority of Sabha had not been entered in the relevant register.
(vii) Rule No.66		The Secretary had not taken steps in accordance with Section 150 (4) of the Pradeshiya Sabha Act No.15 of 1987.
(viii) Rule No.141		Deposit Ledger had not been maintained in terms of form P.S.39.
(ix) Rule No.163		Summary Revenue Register had not been prepared in terms of relevant rule.
(x) Rule No.193		The statement of surplus/deficit as at the end of the year had not been prepared as per the annual budget.
(xi) Rule No.218		All lands and buildings of the Sabha had not been examined annually.

1.3.7 Transactions not Supported by an Adequate Authority.

Relevant approval had not been obtained to write off revenue in arrears of Rs.29,429,767.

02. Financial Review

2.1 Financial Results

According to the financial statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 had been Rs.123,568,433 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounting to Rs.137,039,973.

2.2 Financial Control

Three bank accounts of the Sabha remained dormant over a number of years and action had not been taken to utilize the sums totaling Rs.1,416,145 existed in those accounts in an effective investment.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Billed Revenue, Collected Revenue, Actual Revenue and Arrears of Revenue

(a) Details on the estimated revenue, billed revenue, collected revenue and arrears of revenue presented relating to the year under review and the preceding year are as follows.

	Source of Revenue	Estimated Revenue	Billed Revenue	<u>2017</u> Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	<u>2016</u> Billed Revenue	Collected Revenue	Total Arrears as at 31 December
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i)	Rates and Taxes	11,991,000	13,028,515	9,928,182	4,866,874	12,003,000	10,062,260	13,271,274	4,562,964
(ii)	Rent	42,894,000	69,419,346	68,234,540	4,465,626	34,447,000	39,184,615	39,301,304	6,538,577
(iii)	Licence Fees	6,696,000	7,078,644	7,078,644	-	6,048,000	10,965,470	10,965,470	-
(iv)	Other Revenue	213,131,000	242,130,373	170,998,480	170,612,234	201,970,000	245,749,071	191,162,142	228,280,375

Note :-The collected revenue included recoveries from billed revenue in the year under review and recoveries from arrears of revenue in Preceding years.

2.2.2 Performance in Collection of Revenue

Out of billed revenue of Rs.331.7 million for the year under review, Rs.256.2 million had been collected during the year and it was equivalent to 77 per cent of the billed revenue . Of revenue in arrears amounting to Rs.239 million at the beginning of the year under review, Rs.180 million further remained recoverable by the end of the year.

2.2.3 Rates and Taxes

Out of billed revenue of Rs.13,028,515 for the year under review, a sum of Rs.5,601,847 equivalent to 43 per cent and out of revenue in arrears pertaining to the preceding years, Rs.3,439,572 had been collected.

2.2.4 Rent

Out of billed revenue of Rs.69,419,346 for the year under review, a sum of Rs.68,184,150 equivalent to 98 per cent had been collected.

2.2.5 Court Fines and Stamp Fees

Court fines and stamp fees receivable as at 31 December of the year under review from the Chief Secretary of the Provincial Council amounted to Rs.33,339,638 and Rs.118,608,936 respectively.

2.3.6 Surcharge

A sum of Rs.326,335 remained recoverable as at 31 December 2017 from the surcharges imposed against the parties who should be held responsible under Section 172 (3) of the Pradeshiya Sabha Act, No.15 of 1987.

03. Operating Review

3.1 Performance

In terms of Section 3 of the Pradeshiya Sabha Act, the matters revealed in respect of the performance of functions of the Sabha such as regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people within the area, are as follows.

(a) By-Laws

Although By-Laws should have been enacted in terms of Section 126 of the Pradeshiya Sabha Act, By-Laws had not been enacted for 04 main function by 31 December 2017.

(b) Action Plan

The Sabha had not prepared an Action Plan for the year under review in respect of functions to be discharged by the Sabha in terms of the By-Laws enacted.

(c) Failure in making Provisions

For the functions such as recognition of new sources of revenue, assessment of properties, imposition of taxes, enactment of By-laws and collection of revenue to be discharged by the Sabha and included in the Annual Development Plan prepared, provisions had not been made.

(d) Unimplemented Activities

Eight project for which provisions of Rs.8,415,000 had been made by the Annual Budget had not been implemented.

(e) Failure to Achieve Expected Output Level

Even though Rs.4,019,383 had been spent for the discharged of 43 functions worth Rs.32,020,000 as per the Development Plan, expected output level had not been achieved.

(f) Solid Waste Management

The following matters were observed.

- (i) Out of 15 tons of waste daily collected by Sabha, small amount is used for the production of compost and remaining was being disposed of to a land owned by a private party.
- (ii) A proper arrangement had not been made to dispose of the hazardous waste, electronic waste and plastic items collected at the garbage collection places.
- (iii) A sum of Rs.3,975,000 had been spent for the waste management during the year under review and adequate number of employees had not been attached to the activities of the compost yard.

(g) Sustainable Development Targets

The Sabha had not been aware of the achievement of sustainable development goals in terms of “2030 Agenda on Sustainable Development”. Nevertheless, attention had been drawn on the matters such as poverty alleviation, health programmes, and provision of purified water and development of other infrastructure facilities.

3.2 Management Inefficiencies

The following observations are made.

- (a) Even though a Van had been purchased at a cost of Rs.910,000 for the sale of compost, it had been used for another purpose.
- (b) Even though finger scanners had been installed to record arrival and departure of the officers in Head Office and sub-offices, administration of those scanners remained extremely poor level.
- (c) Without being credit to the Revenue a balance of Rs.39,061,531 payable before the year 2015, it had been transferred to the deferred payable account.
- (d) Without being obtained approval, three members of the staff had proceeded abroad. Further, a driver had again proceeded abroad without being completed the prescribed number of years to be completed in accordance with the agreement.
- (e) Leave Register of the Sabha had not been maintained in an updated manner.

3.3 Human Resources Management

(a) Employees Vacancies and Excesses

There were 13 vacancies in the posts of secondary level and there was an excess of 79 staff members in executive, primary and other levels as at 31 December of the year under review. However, 03 Ayurvedic doctors had been engaged in service on temporary basis

- (b) Sum of Rs.54,675 and Rs.443,635 respectively remained recoverable from an officer who had vacated the post and 05 officers who had been transferred.

3.4 Operating inefficiencies

Without being credit to the Revenue a balance of Rs.39,061,531 payable before the year 2015, it had been transferred to the deferred payable account.

3.5 Assets Management

3.5.1 Failure to Document the Assets

A register on land and buildings owned by the Sabha had not been maintained and action had not been taken to obtain free hold deeds of the available lands.

3.5.2 Failure to Ensure Protection of the Assets

A lease agreement had not been entered into relating to the 30 perches of land released to the Provincial Education Department.

3.5.3 Idle/Underutilized Assets

A motor grader without registered number purchased at a cost of Rs.4,595,663 in the year 1991 had been parked and remained idle at the Kammalpattuwa Sub-office.

3.6 Procurement

Procurement Plan

Procurement Plans pertaining to the year under review and the preceding years had not been prepared in terms of Guideline 4.2.1 of the Government Procurement Guidelines.

4. Good Governance and Accountability

4.1 Budgetary Control

The following matters were observed.

- (a) Provisions of Rs.15,278,500 had been transferred to 13 Capital items which had not been included in the budget.

- (b) Even though provisions of Rs.6,480,000 had been allocated during the year under review for 43 Objects relating to the welfare activities of the area of authority of the Sabha, relevant activities had not been done.
- (c) Although provisions of Rs.37,100,000 had been allocated for 10 Capital Objects, provisions of 09 of the above Objects had been entirely saved.

4.2 Internal audit

An internal audit on the financial and operating activities of the Sabha had not been conducted.

4.3 Unresolved Observations and Unanswered Audit Queries

Steps had not been taken even in the year under review in respect of following deficiencies identified in the preceding year.

- (i) Causing a loss to the Sabha by transferring, free of charge, the assets worth Rs.255,000 of the Sabha and misplacing 161 galvanize bars worth Rs.177,100.
- (ii) Writing off of receivable income of Rs.30,756,510 and receivable salary reimbursements of Rs.28,252,666 without proper approval.

5. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of control.

System	Deficiency
-----	-----
(a) Accounting	Failure to maintain accounting books, P.S.Reports and documents in an updated manner.
(b) Assets/ Properties	<ul style="list-style-type: none"> (i) Failure to enter in the registers (ii) Failure to assure the protection
(c) Stocks	Failure to charge closing stocks to the accounts accurately.
(d) Debtors/ Creditors	<ul style="list-style-type: none"> (i) Failure to prepare schedules. (ii) Failure to prepare age analysis.
(e) Staff Management	<ul style="list-style-type: none"> (i) Failure to get approval for the staff (ii) Failure to fill vacancies.
(f) Revenue Administration	Non-recovery of outstanding revenue receivable to the Sabha.

