

Wariyapola Pradeshiya Sabha

Kurunegala District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 28 March 2013 and the financial statements for the preceding year had been presented on 30 March 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 30 August 2013.

1.2 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Wariyapola Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2012 and except for the effects on the financial statements of the matters referred to in my report the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Wariyapola Pradeshiya Sabha as at 31 December 2012 and the financial results of its operations for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

- (a.) Opening finished stocks had been taken as Rs.609,017 in computing the operating results of the Concrete and cement Blocks Project, whereas according to the production report, the value of the said stock amounted to Rs.735,015 and therefore, the profit of the Project had been overstated by Rs.125,998.
- (b.) The value of Rs.238,445 of the water bowser purchased in December of the year under review had not been capitalized for the year under review.

1.3.2 Lack of Evidence for Audit

Transactions totaling Rs.3,223,784 could not be satisfactorily vouched in audit due to non-submission of the required information to audit.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2012 amounted to Rs.14,226,467 as compared with the excess of revenue over recurrent expenditure amounting to Rs.12,952,437 for the preceding year.

2.2 Financial Control

Cash donations received from the donors of the area of authority of the Sabha had not been taken to the general fund of the Sabha and had been kept in the deposits account and of this a sum of Rs.748,460 had been spent at 09 instances for various public and welfare activities. Further, development aid amounting to Rs.2,500,000 obtained on approving block-out plans of lands during the years 2010 and 2011 had been kept in the deposits account without taking as revenue.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue, actual revenue and the arrears of revenue relating to the year under review as presented by the Chairman is given below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	3,544	3,291	1,000
(ii.) Lease Rent	8,260	8,302	141
(iii.) Licence Fees	1,330	1,356	47
(iv.) Other Revenue	71,318	62,336	68,315

2.3.2 Business Tax and Trade Licence Fees

The Sabha had not carried out surveys with a view of billing business tax and trade licence fees as required by Rule 59 and 67 of the Pradeshiya Sabha (Financial and Administrative) Rules-1988.

2.3.3 Court Fines and Stamp Fees

Court fines amounting to Rs.254,750 and stamp fees amounting to Rs.68,000,000 had been receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2012.

2.4 Irregular Transactions

According to the letter No.GGRC/21/30 dated 25 July 2012 of the Commissioner of Local Government, Wayamba; incidental allowances at Rs.27,930 per day can be paid subject to payment of U.S.\$ 30 per day maximum of 07 days for the Vietnam tour from 09 to 16 August 2012. Nevertheless, a sum of Rs.100,000 had been paid out of the Sabha funds to 02 officers of the Sabha participated in the above tour at Rs.50,000 per each.

2.5 Assets Management

According to Rule 203 of the Pradeshiya Sabha (Financial and Administrative) Rules-1988; a complete survey should be done on the property of the Sabha by a Board consist of a Member of the Sabha, an officer of the Sabha and an officer of the Department of the Commissioner of Local Government. But the survey for 2011 had been carried out by a group of officers of the Sabha. Further, assets valued at Rs.251,150 which had been recommended by the Board of Survey Reports to dispose of had not been written-off from the books as at end of the year under review.

2.6 Human Resources Management

The approved cadre of the Sabha is 91 and the actual cadre as at end of the year under review was 82. In addition to this, 58 employees had been recruited on casual and substitute basis. Further, 29 employees not entitle to salary reimbursement had been attached to the Sabha as at end of the year under review and the Sabha had spent a sum of

Rs.11,839,663 approximately from the Sabha funds as their salaries during the year under review. Furthermore, there were vacancies of 02 approved posts of Revenue Controllers and 01 out of 04 approved posts of Librarians.

2.7 Operating Inefficiencies

The following observations are made.

- (a.) Contributions payable to the Local Government Pension Fund had not been duly paid by the Sabha and as such a balance of Rs.3,007,580 had been payable to the said Fund as at end of the year under review. The Fund recovers a sum of Rs.7,976 from the Sabha as the monthly installment and the Sabha was not aware to which employees these recoveries are related to.
- (b.) Tenders had been awarded on key-money basis during the year 2011 for the construction of the Small Scale Trade Complex in the Wariyapola town. Recovery of key-money Rs.7,082,650 had been terminated due to the delay in obtaining technical reports relating to the construction of the building.
- (c.) Although a by-law is available relating to parking vehicles within the area of the Sabha a survey had not been carried out annually or periodically with regard to parking three wheelers and these three wheelers had not been registered and the parking locations also had not been properly fixed.
- (d.) The Canter bearing No.27 Sri 840 received by the Sabha from the Department of Local Government prior to a few years had not been legally vested with the Sabha. Revenue Licence also had not been obtained for this vehicle.

3. Systems and Controls

Special attention of the Sabha is needed in respect of the following areas of systems and controls.

- (a.) Accounting
- (b.) Financial Control
- (c.) Revenue Administration
- (d.) Assets Management
- (e.) Human Resources Management