

Wennappuwa Pradeshiya Sabha

Puttalam District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 22 May 2013 and the financial statements for the preceding year had been presented on 14 June 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 07 November 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 Wennappuwa 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 Wennappuwa Pradeshiya Sabha as at 31 December 2012 and the financial results of its operations and cash flows for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

- (a.) Contingent expenses in respect of the case filed against an officer involved in a financial fraud of Rs.1,376,770 in the year 2001 had not been disclosed and provisions had not been made in the accounts.
- (b.) Cash in hand amounting to Rs.329,793 as at 31 December 2012 at 05 Sub-offices had been omitted from the financial statements.
- (c.) The value of Kirimetiyanana Crematorium amounting to Rs.3,742,247 had been omitted from the fixed assets account and the revenue contribution for the capital out-lay account. The value of the Hino motor vehicle bearing No.28-2537

received as a Provincial Council grant had not been assessed and brought to accounts.

- (d.) Stamp fees amounting to Rs.140,486 and Tsunami aid amounting to Rs.650,685 shown in the trial balance as payable had been omitted from the current liabilities of the Balance Sheet.
- (e.) Revenue debtors had been understated by revenue in arrears amounting to Rs.3,042,041.
- (f.) Sundry creditors balance had been overstated by Rs.3,919,320 due to the inclusion of double computations, cancellations, works on direct labour and value Added tax not payable.
- (g.) According to the accounts presented to audit the balance of the employees loan account amounted to Rs.7,505,517 and according to the list of individual balances, it was Rs.5,218,917. A difference of Rs.2,286,600 was observed and the Sabha had failed to explain the reasons for the difference.
- (h.) Explanations were not made available for the suspense account amounting to Rs.389,297 revealed in the Bank Reconciliation Statement for December 2012.

1.3.2 Lack of Evidence for Audit

Transactions totaling Rs.262,240,256 could not be satisfactorily vouched in audit due to the non-submission of 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.42,600,136 as compared with the excess of revenue over recurrent expenditure amounting to Rs.50,156,512 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue, actual revenue and the arrears of revenue in respect of the year under review as presented by the Chairman is shown below.

Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	9,541	8,121	4,482
(ii.) Lease Rent	32,662	28,175	2,229
(iii.) Licence Fees	7,543	6,576	48
(iv.) Other Revenue	134,171	65,092	161,173

2.2.2 Rates and Taxes

Rates had been billed for 7,618 properties for the year under review and of this recoveries had been made only from 4,727 properties and it represents 62% of the billed amount. Rates and Taxes in arrears for over one year as at end of the year under review relating to 1,912 units of rates amounted to Rs.1,846,045.

2.2.3 Lease Rent

- (a.) Lease rent in arrears for over one year relating to 14 units of property as attend of the year under review amounted to Rs.1,957,335.
- (b.) The upper floor to the extent of 4,440 sq.ft of the Wennappuwa Trade Complex had been given to the Trade Associations since 02 years, without recovering any lease rent.

2.2.4 Other Revenue

The Sabha had not taken action to earn income from registering three wheelers and van parks and recovering bus stand charges.

2.2.5 Court Fines and Stamp Fees

Money receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2012 are shown below.

	Rs.
(i.) Court Fines	6,491,943
(ii.) Stamp Fees	153,906,250

2.3 Surcharges

A sum of Rs.326,335 was recoverable as at 31 December 2012 in respect of surcharges levied by me in terms of the provisions of the Pradeshiya Sabha Act No.15 of 1987 against the persons responsible.

2.4 Idle and Underutilized Physical Resources

The following observations are made.

- (a.) The Hino motor vehicle bearing No.28-2537 donated by the North Western Provincial had been parked in the Wennappuwa Court premises since 1997 in unusable and obsolete condition.
- (b.) The Fire Fighting Truck valued at Rs.5,649,080 and the K.75 Two Wheel Tractor valued at Rs.43,806 respectively had been parked idling in the Head Office premises since the year under review and since a few years.
- (c.) Three numbers of two wheel tractors valued at Rs.299,126, an unnumbered two wheel tractor the value of which is not known and a tar spraying machine received as a donation had been parked in the Kirimetiyanana Sub-office premise for over a few years.

2.5 Contract Administration

The following observations are made.

- (a.) According to the budget, it had been planned to implement 220 works during the year under review. But, 146 works had not been implemented and only 74 works had been completed.

- (b.) A sum of Rs.10,000,000 had been allocated to lay concrete blocks on 10 roads under the Maga Neguma Development Project. But, only 03 roads valued at Rs.3,000,000 had been completed out of the 10 roads as at 31 December 2012. The physical progress of the balance construction was 10%.
- (c.) It had been planned to complete 99 projects at Rs.100,000 each under the “Gami Arunalu” Programme. However, only 20 projects valued at Rs.2,766,000 had been selected to carry out during the year under review and of this only 07 projects had been completed. As such the progress of the programme was 7%.
- (d.) Estimates had been prepared for 141 works for the year under review and only 74 works had been completed during the year and the balance 67 works continued.

2.6 Development of Sirigampola Play Ground

The following matters were observed at the physical examination carried out in July 2013.

- (a.) The contract had been awarded to the Sirigampola Samurdhi Force at Rs.10,000,000 without being acquired the land owned by the Land Reform Commission in which the proposed play ground is situated.
- (b.) The respective land is a marshy land and water had gathered in it. This land is a place where the rain water of the area gathers and reclamation of this land without constructing a proper drain is a risk as the area as well as the playground seems to be flooded with rain water.
- (c.) The respective Samurdhi Force had confirmed that they are unable to carry out the work and some other party had completed the work.

2.7 Operating Inefficiencies

The following observations are made.

- (a.) Action had not been taken to survey through a Board of Survey and ensure the ownership and safe guard the blocks of land given to the Sabha for common amenities when block-out and sell the lands.
- (b.) An annual action plan had not been prepared.

3. Systems and Controls

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

- (a.) Accounting
- (b.) Budgetary Control
- (c.) Revenue Administration
- (d.) Control over Contracts
- (e.) Debtors and Creditors Control
- (f.) Assets Management