

## Walapane Pradeshiya Sabha - 2013

### Nuwaraeliya District

#### 1. Financial Statements

##### 1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 31 March 2014 while Financial Statements relating to the preceding year had been submitted on 27 March 2013. The Auditor General's Report relating to the year under review was sent to the chairman on 21 October 2014.

##### 1.2 Disclaimer of Opinion

Because of the significance of matters described in paragraph 1.3 of this report, it was unable for me to get a basis of adequate and suitable evidence. Due to that, I do not express an opinion on these financial statements.

##### 1.3 Comments on Financial Statements

###### 1.3.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Financial statements submitted by the Pradeshiya Sabah for the year under review had not been prepared in conformity with Public Sector Accounting Standards.

###### 1.3.2 Accounting Policies

Accounting policies based in preparation of financial statements submitted for the year under review had not been disclosed together with the financial statements submitted by the Pradeshiya Sabha.

###### 1.3.3 Accounting Deficiencies

Following matters are observed.

- (a.) Value of the Crematorium handed over to the Sabah on 21 November 2012 amounting to Rs.7,647,798 and value of the Solid Waste Management Centre amounting to Rs.2,774,590 had not been included in the financial statements and due to that, Fixed Assets and Contribution from Revenue to Capital Outlay Account had been understated in a sum of Rs.10,422,388.
- (b.) The value of the Tipper Vehicle amounting to Rs.3, 450,574 provided to the Sabha through the Pura Neguma Project on 11 September 2013 had not been included in the financial statements.

(c.) The value of the stock of Ayurvedic Medicine belongs to the Sabah as at 31 December of the year under review had not been identified and accounted.

(d.) The values of 06 items of Fixed Assets belong to the Sabah had not been identified and accounted.

#### **1.3.4 Non-reconciled Control Accounts**

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A difference of Rs.1,662,933 was observed when the total of balances in the control accounts relevant to 03 items of accounts amounting to Rs.38,960,851 was compared with the total of relevant Subsidiary Registers amounting to Rs.37,297,918.

#### **1.3.5 Suspense Account**

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While the credit balance of the Suspense Account as at 31 December 2013 was Rs.5,497, action had not been taken to settle it after finding out the reasons for arising that balance even up to 11 April 2014, date of audit.

#### **1.3.6 Accounts Receivable**

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Age analysis of Accounts Receivable balances totalling Rs.17,216,167 as at 31 December 2013 had not been prepared.

#### **1.3.7 Accounts Payable**

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Age analysis of Accounts Payable balances totalling Rs.120,847,411 as at 31 December 2013 had not been prepared.

#### **1.3.8 Lack of Evidence for Audit**

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Transactions totalling Rs.22,447,606 could not be satisfactorily accepted in audit due to non-submission of required information for the Audit.

#### **1.3.9 Non-compliance with Laws, Rules, Regulations etc.**

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Following non-compliances with Laws, Rules, Regulations and Management Decisions were observed in audit.

Reference to Laws, Rules, Regulations and Management Decisions

Non-compliance

(a) Clause 4.6 in Chapter XXIV of the Establishments Code of the Republic of Sri Lanka.

Action had not been taken to recover loan balances totalling Rs. 312,600 due to be Recovered from 75 employees who were in service of the Sabah and left on transfers, interdicted, deceased and whose details not identifiable.

(b) Pradeshiya Sabha (Financial and Administrative) Rules. Rule 17

Five hundred Counterfoil Books printed during the year 2012 had not been entered in the registers.

**2. 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 2013 amounted to Rs.3,991,713 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.3,997,173.

**2.2 Revenue Administration**

**2.2.1 Revenue, Actual Revenue and Arrears of Revenue**

Information furnished by the Chairman relating to Estimated Revenue, Actual Revenue and Arrears of Revenue is shown below.

|       | Source of Revenue | Estimated | Actual   | Cumulative Arrears as at 31 December |
|-------|-------------------|-----------|----------|--------------------------------------|
|       |                   | Rs.'000   | Rs.' 000 | Rs. '000                             |
| (i)   | Rates and Taxes   | 3,581     | 1,991    | 1,590                                |
| (ii)  | Lease Rent        | 4,316     | 2,150    | 2,166                                |
| (iii) | Licence Fees      | 1,609     | 1,609    | -                                    |
| (iv)  | Other Revenue     | 5,956     | 3,870    | 2,086                                |

**2.2.2 Lease Rent**

(a.) Action had not been taken to recover Revenue in Arrears amounting to Rs.1,062,600 outstanding as at 31 December 2013 on account of lease of 18 stalls belong to the Sabha.

- (b.) Action had not been taken to recover a sum of Rs.280,619 due as at 31December 2013 on account of leasing two latrines in the Walapane and Ragala Towns.

### **2.2.3 Other Revenue**

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Although by-laws had been imposed for parking hiring cars in the area of authority of Walapane Pradeshiya Sabha through the by-laws published through the Extraordinary Gazette Notification dated 06 October 2011, action had not been taken to recover any sum of money during the year 2013.

### **2.2.4 Court Fines and Stamp Fees**

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Court Fines amounting to Rs.2,621,278 and Stamp Fees amounting to Rs.2,944,160 receivable from the Central Provincial Council had not been received up to the end of the year under review.

## **3. Operating Review**

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### **3.1 Performance Evaluation**

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Progress Reports and Management Reports indicating physical and financial performance had not been prepared in order to ensure compliance with the Annual Action Plan.

### **3.2 Management Inefficiencies**

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- (a.) Although the Counterfoil Books should be kept under the custody of the Sabha Secretary, in terms of the Pradeshiya Sabha (Financial and Administrative) Rule 19 and he should be personally responsible with regard to the security and use, 11 Counterfoil Books of this Sabha had been misplaced. While an assessment of the amount of money that could be recovered from these counterfoil books had not been made up to the date of inspection, steps too had not been taken to recover the losses that could be occurred.
- (b.) Nine vehicles belong to the Sabah had been running throughout for more than 05 years without insurance cover after the year 2009.
- (c.) In spite of the fact that the running charts of the three wheels vehicle No.CPQZR-5184 during the period from 28 April 2012 to 19 December 2012 had not been submitted, 879 litres of petrol valued at Rs. 142,285 had been provided for running during that period.

### 3.3 Idle/Under-utilized Assets

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Following assets belong to Sabha had been remained idle without being used for the relevant works over a long period.

| Item                           | Quantity |
|--------------------------------|----------|
| -----                          | -----    |
| Stalls in Walapane Town        | 03       |
| Honda Motorcycle 109-9147      | 01       |
| Bajaj Motorcycle 180-901       | 01       |
| Tractor 37-9482                | 01       |
| Tractor 290-1782               | 01       |
| Kubota Tractor 49—2003         | 01       |
| Tractor Trailer CPRV-3041      | 01       |
| Mini Tractor Trailer KVVP-7564 | 01       |
| Concrete Mixer (Large)         | 01       |

### 3.4 Identified Losses

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A sum of Rs. 6,000 recovered as Business Tax by a Revenue Inspector through Sub-counter foil No.63486 of the misplaced Sub-counterfoils Book No.1270 of the Pradeshiya Sabah (containing counter foil Nos. 63451 to 63500) had been defrauded. The Chairman had informed me on 20 June 2014 that disciplinary action will be taken against the officer responsible.

### 3.5 Contracts Administration

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- (a.) Padiyapelella Water Supply Scheme constructed by the Sabah utilizing grants from the Government and the Asia Foundation at a cost of Rs.7,184,832 in a land which had been reported as not suitable to construct a project by the Earth slips Assistance and Services Division of the National Buildings Research Organization had been entirely unsuccessful due to planning mistakes.
- (b.) A sum of Rs. 640,000 had been overpaid in excess of the value of work amounting to Rs.1,179,096 certified by the Technical Officer for the Padiyapelella Water Supply Scheme without approval and order of the Secretary to the Sabha.

### 3.6 Solid Waste Management

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While a proper methodology had not been followed by for Solid Waste Management, garbage were being dropped to places in Nildandahinna, Dambekele and Ragala Lindsdale Estate in a manner harmful to the environment.

### **3.7 Surcharges**

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Surcharges amounting to Rs. 29,975 imposed by me, against the parties responsible in terms of provisions in the Pradeshiya Sabha Act No. 15 of 1987, had not been recovered even up to 31 December 2013.

## **4. Accountability and Good Governance**

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### **4.1 Budgetary Control**

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According to the Budget prepared for the year under review, when estimated revenue and expenditure compared with the actual revenue and expenditure, variations in a range from 0.02 to 41.98 percent in 07 items of revenue and 6.64 to 121.88 percent in 07 items of expenditure were observed. Therefore it was observed that the Budget had not been made use of as an effective tool of management.

### **4.2 Un-resolved Audit Queries not Replied**

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Replies had not been furnished to 10 audit queries as at 31 December of the year under review.

## **5. Systems and Controls**

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

- (a.) Accounting
- (b.) Internal Control
- (c.) Revenue Administration
- (d.) Debtors and Creditors Control
- (e.) Assets Management