

Wilgamuwa Pradeshiya Sabha

Matale District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 27 March 2014 while Financial Statements relating to the preceding year had been submitted on 12 June 2013. The Auditor General's Report relating to the year under review was issued to the Chairman of the Sabha on 09 September 2014.

1.2 Opinion

I am of opinion that except for the effect on the financial statements of the matters referred to in paragraph 1.3 of my report sent to the chairman, that the financial statements had been prepared in accordance with Generally Accepted Accounting Principles, give a true and fair view of the state of affairs of the Wilgamuwa Pradeshiya Sabha as at 31 December 2013 and financial results of its operation for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Financial Statements had not been prepared in accordance with Public Sector Accounting Standards of Sri Lanka.

1.3.2 Accounting Policies

Following accounting deficiencies were observed.

- (a.) Accounting Policies followed in preparing Financial Statements had not been disclosed with the Financial Statements.
- (b.) Cost of the Stocks of Stores purchased had been debited direct to the Expenditure Heads, without following Stores Advance Accounting Procedure.
- (c.) Statements of Financial Operations and Position had not been furnished with the comparative figures for the preceding year.

1.3.3 Accounting Deficiencies

Following accounting deficiencies were observed.

- (a.) A Cash Flow Statement had not been submitted together with the Financial Statements for the year under review.
- (b.) A difference of Rs. 2,221,340 between the balance of the Fixed Assets Account and the Revenue Contribution to Capital Outlay Account and, a difference of Rs. 67,608 between the Employees Security Investments Account and the Employees Security Account were observed.

1.3.4 Non-reconciled Control Accounts

The total of discrepancies observed between 07 items of accounts totalling Rs.25,037,865 shown in the Financial Statements and the balances shown in the subsidiary registers and reports relevant to those amounted to Rs.2,095,599.

1.3.5 Suspense Account

Steps had not been taken to clear the Credit balance of Rs.657,609 which is being brought forward for a long period in the Financial Statements, during the year under review as well.

1.3.6 Accounts Receivable and Payable

Steps had not been taken to clear the Accounts Receivable balances of 04 accounts totalling Rs.4,288,359 and the Accounts Payable Balances of 02 accounts totalling Rs.1,136,595 which are being brought forward for a long period in the Financial Statements, during the year under review as well.

1.3.7 Lack of evidence for audit

Transactions totalling Rs. 19,804,212 relating to 04 Items of Accounts could not be satisfactorily vouched in audit, due to non-submission of required information.

1.3.8 Non-compliance with Laws, Rules, Regulations etc.

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

Reference to Laws, Rules, Regulations etc.

Non-compliance

(a.) Pradeshiya Sabha Act No. 15 of 1987

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| (i.) Clause 12(1)(2) | - Consultation Committees relating to Framing Finance and Policies, Housing and Community Development and Technical Services for carrying out the Sabha activities had not been appointed during the year under review. |
| (ii.) Clause 132(a) | - A sum of Rs. 25,250 for Sports Equipment and a sum of Rs. 24,000 for awarding medals to 80 students who had been successful in year five scholarships, had been spent without obtaining the approval of the Minister. |
| (iii.) Clause 170 | - Expenditure amounting to Rs. 1,218,034 had been incurred in excess of the budgeted limits of provisions under 10 Items of Expenditure for the year under review, without obtaining the Sabha approval through submission of a supplementary estimate. |
| (iv.) Clause 175(1) | - Salaries and allowances amounting to Rs. 2,071,902 had been paid during the year under review to 09 employees recruited on casual, substitute, daily and temporary basis, without obtaining the approval of the Commissioner of Local Government. |

(b.) Establishments Code of the Democratic Socialist Republic of Sri Lanka

Chapter xxiv, Clause 4.5

- Action had not been taken to recover the loan balances amounting to Rs.79,323 recoverable from 08 employees who defaulted loan payments, from their guarantors.

(c.) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

(i.) F.R. 395 (c)

- There had been a continuous delay of more than two months in the preparation of Bank Reconciliation Statements during the year under review.

(ii.) F.R. 756

- Annual Board of survey for the year under review had not been conducted even up to 30 April 2014.

1.3.9 Transactions not confirmed by an Adequate Authority

- (a.) Reports relating to payments of contributions to Employees Trust Fund for the period from the year 2006 to 2011 had not been sent and a surcharge of Rs. 32,419 calculated on the basis of that delay had to be paid causing a loss to the Sabha.
- (b.) Although a sum of Rs. 11,660 had been paid to the Geological Survey and Mines Bureau for renewal of the Sand Permit License for the Sand Mining Ferry at Malgammana maintained by the Sabha before receiving the recommendation of the Divisional Secretary, license for the year 2013 had not been renewed.
- (c.) A private hiring vehicle had been obtained by the Chairman having paid a sum of Rs. 7,500 out of Sabha Funds, to participate in a meeting not connected to the Pradeshiya Sabha or Local Government Institutions.
- (d.) Although the monthly rental of Rs. 17,200 had been written off according to a decision taken at the General Sabha Meeting on 23 May 2013 on the grounds that it was unable to conduct the Hettipola Weekly Fair on 21 April 2013, approval of the Minister in charge of the Subject had not been obtained for that.

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. 6,313,985 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 3,977,731. When compared with the preceding year, an improvement of Rs. 2,336,254 was shown in the financial results for the year under review.

2.2 Analytical Financial Review

It was observed that the current assets were not in adequate level to meet the current liabilities of the Sabha during the year under review and the preceding two years.

2.3 Revenue Administration

2.3.1 Performance in Revenue Collection

Following observations are made in this connection.

(a.) Rates

Although the Rates billed for the year under review and the arrears of rates up to the beginning of that year totalled to Rs. 1,030,221, out of that, only a sum of Rs.528,132 or 51 percent only had been recovered.

(b.) Lease Rent

It had not been possible to recover any amount, out of the arrears Lease Rent balance of Rs. 892,757, as at the beginning of the year under review.

(c.) Water Charges

Although the Water Charges billed for the year under review and the arrears of Water Charges up to the beginning of that year totalled to Rs. 2,054,494, out of that, only a sum of Rs.1,323,532 or 64 Percent only had been recovered.

2.3.2 Court Fines and Stamp Fees

A sum of Rs. 892,382 on account of court fines and a sum of Rs. 34,500 on account of stamp fees was due to be recovered as at 31 December 2013 of the year under review, from the Chief Secretary of the Central Provincial Council and other authorities.

3. Operating Review

3.1 Management Inefficiencies

Following matters were observed.

- (a.) Although the Public Latrines in the Hettipola Town and the Weekly Fair had not been leased out by calling for tenders, the Public Latrine in the Town had been given to an outside individual for an annual rent of Rs. 2,000 without entering into an agreement. It was observed that a sum of more than Rs. 500 had been earned daily by him and that his annual earning income had been more than Rs. 180,000.

- (b.) Information relating to holders of Sand Permits had not been collected in terms of the Gazette No.1790 dated 21 December 2012. Due to that, it had not been possible to recover the Business Tax during the year under review which should have been collected subject to a maximum of three thousand Rupees.

3.2 Operational Inefficiencies

Following matters were observed.

- (a.) Action had not been taken to recover Staff Loan Balances amounting to Rs.103,327 due from 08 officers who have retired from service more than 06 years ago, even up to the end of the year under review.

- (b.) Action had not been taken to get the ownership transferred relating to the two cabs and the two motor cycles in use of the Sabha, even up to the end of the year under review.

- (c.) While Revenue Licenses had not been obtained for two cabs, a tractor and a tractor trailer and Insurance Cover had not been obtained for a cab, a motor cycle, a tractor and a tractor trailer belong to the Sabha for the year under review, all those vehicles had been engaged in operation.

- (d.) While fuel orders had not been used in obtaining fuel for vehicles belong to the Sabha, reimbursement had been made to the drivers for bills submitted after obtaining fuel required for the vehicles.

- (e.) Necessary steps had not been taken after inspection of 05 unauthorized constructions erected within the area of authority of the Sabha.

3.3 Idle/Under-utilized Assets

Five units of assets valued at Rs. 793,000 had remained idle or under-utilized during the year under review.

3.4 Identified Losses

Following matters were observed.

- (a.) A loss of Rs. 116,516 had been occurred during the first half of the year 2013 due to deployment of the bus for road transport which was purchased for sum of Rs.4,050,000 in September 2012.
- (b.) Although it had been reported that the Cab Vehicle belong to the Sabha met with an accident on 22 March 2013 and a loss amounting to Rs. 25,831 had occurred, that loss had not been recovered.

3.5 Contract Administration

Following matters were observed.

- (a.) Twenty seven cement bags valued at Rs.24,570 had been provided out of Sabha funds for construction of a private well in the land situated at the address, No. 05, Radunnewewa, Maraca.
- (b.) While an agreement had been entered into with the Nugagolla Samurdhi Force for repair works of 3 items of the Nugagolla Library at an expenditure of Rs. 367,221, 03 items of work to be performed in accordance with the estimate had not been fulfilled, and another 02 items of work had not been satisfactorily performed.
- (c.) Although an agreement had been entered into with the Bedum Ela Agrarian Society for repair works of 32 items of the Lendiyagala Library, only 18 items of work selected had been fulfilled according to the completion reports item of woks and a sum of Rs. 128,677 had been paid for that. Any course of action had not been taken by the Sabha with regard to the non-performance of work according to the agreement.

3.6 Solid Waste Management

Daily collections of garbage in the area of authority of the Sabha are being dumped into a land belong to the Government situated beyond the Namini Oya tank utilizing a tractor without using for a recycling process. It was observed that items like polythene contents

with garbage are eaten by elephants and other animals, creating problems to them as well as to the environment due to this practice.

4. Accountability and Good Governance

4.1 Budgetary Control

Following matters were observed.

- (a.) (i) Out of the provision of Rs. 357,000 made available for 03 Items of expenditure through the Budget for the year under review, transfers to other items of expenditure or savings had been made without incurring any expenditure.
- (ii) Expenditure had been incurred in excess of the estimated provision of Rs.1,218,034 under other 10 Items of Expenditure.
- (b.) (i) Although it had been estimated through the Budget for the year under review to earn a revenue totalling Rs. 1,702,750 under 17 Revenue Heads, any income had not been earned.
- (ii) Out of the budgeted revenue under 05 Revenue Heads, revenue earned had been in a range from 1 percent to 13 percent.

On the basis of the above reasons, it was observed that the Budget had not been used as an effective tool of Management.

4.2 Audit Queries not resolved and replied

While replies had not been furnished to 03 audit queries out of the audit queries issued to the Sabha as at 31 March 2014, value of transactions subjected to those queries amounted to Rs.958,621.

5. Systems and Controls

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

- (a.) Accounting
- (b.) Budgetary control
- (c.) Revenue Administration
- (d.) Stores Control
- (e.) Debtors and Creditors Control

