

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 Audit on 06 May 2015 while Financial Statements relating to the preceding year had been submitted on 27 March 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 this report, 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 2014 and financial results of its operation for the year then ended and cash flows.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following accounting deficiencies were observed in audit.

- (a) In spite of the fact that a sum of Rs. 24,390 had been paid to a Beneficiary under Housing Assistance during the year under review, that amount had been accounted as Creditors.

- (b) While the Security Deposit of Rs. 8,000 received during the year under review had not been adjusted in the Security Investments Account, Interest Received on Security Investments had not been accounted. Similarly, adjustments relevant to Staff Security released during the year amounting to Rs. 31,470 had not been made and corrected account balances.
- (c) The value of 02 Computers, a Printing Machine, 26 Plastic Chairs and 20 Assembly Hall Chairs received during the year under review as well as the value of 04 Motor Vehicles belong to the Sabha had not been accounted.
- (d) Understatement of Stamp Fees Revenue in a sum of Rs. 40,500 and overstatement of Salary Reimbursements of Employees in a sum of Rs. 251,939 had been made in the account for the year under review.
- (e) In spite of the fact that a provision of Rs. 30,868 had been received in respect of Retention Money Payable for Construction of Security Fence of the Ladiyangala Public Library during the year under review, that amount had been shown under Debtors.
- (f) The value of 568 Galvanized Pipes amounting to Rs. 628,856 provided by the Ministry of Local Government and Provincial Councils during the year under review had not been accounted.

1.3.2 Non-reconciled Control Accounts

Discrepancies observed between balances of 13 items of accounts totalling Rs.78,855,117 shown in the financial statements and balances shown in the relevant subsidiary registers and records totaled to Rs. 13,640,469.

1.3.3 Suspense Account

The credit balance of Rs. 657,609 included under Suspense Account in the financial statements for the preceding year, had been brought forward in the financial statements for the year under review as well , without taking action being taken to make the necessary adjustments to, that value.

1.3.4 Accounts Receivable and Payable

Action had not been taken during the year under review as well to settle the value of 05 Accounts Receivable totalling Rs.4,455,227 the value of 02 Accounts Payable amounting to Rs.1,136,595 which are being brought forward over a long period in the financial statements.

1.3.5 Lack of evidence for audit

Transactions totalling Rs. 28,140,129 relevant to 06 items of accounts could not be satisfactorily vouched in audit, due to non-submission of required information to audit.

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

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

<u>Reference to Laws, Rules, Regulations etc.</u>	<u>Non-compliance</u>
(a.) Pradeshiya Sabha Act No. 15 of 1987 Section 12 (1) (2)	- Although Committees should be appointed to provide instructions connected with Finance and Planning, Housing and Community Development, Technical Services and Environment for

carrying out the functions of the Sabha , only the Environment Committee had been appointed during the year under review.

- (b.) Pradeshiya Sabha (Financial and Administrative) Rues Series of 1988 Rule 217
- A Register in Form P.S. 46 containing particulars relating to all Land and Buildings vested in the Sabha, used and occupied by the Pradeshiya Sabha had not been maintained.
- (c.) Section 4.5 in Chapter xxiv of the Establishments Code of the Republic of Sri Lanka
- Action had not been taken to recover Distress Loan balances amounting to Rs. 58,112 and Vehicle Loan balances amounting to Rs21,251 outstanding from 08 employees who had defaulted payment of loan balances from their guarantors.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabah for the year ended 31 December 2014 amounted to Rs. 455,125 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 6,313,985. When compared with the preceding year, a decline of Rs. 5,858,860 was shown in the financial results for the year under review.

2.2 Analytical Financial Review

Some important information relating to financial position and financial performance of the Pradeshiya Sabah is shown below.

- (a) When the surplus of the operational revenue for the year is compared with the position existed during the preceding year, it was observed that it takes a very low value.
- (b) It was observed that the expenditure of the Sabha had been in very high level when compared with the revenue, as the total expenditure had been 98 percent of the total revenue.
- (c) Current Liabilities had been more than the Current Assets during the year under review. The audit opinion is that, it is not a satisfactory situation with regard to liquidity.

2.3 Revenue Administration

2.3.1 Performance in Revenue Collection

A summary with regard to revenue collection of the Sabha as at 31 December 2014 is shown below.

Source of Revenue	Arrears as at 01.01.2014	Billing for the year 2014	Total amount to be received	Receipts out of billings for the year	Receipts out of balance in arrears	Total receipts	Balance as at 31.12.2014
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
(i) Rates and Taxes	502,089	633,959	1,136,048	184,369	553,106	737,475	398,573
(ii) Lease Rent	900,069	1,327,150	2,227,219	--	1,327,150	1,327,150	900,069
(iii) Licence Fees	1,985	512,803	514,788	--	512,803	512,803	1,985
(iv) Charges for services	733,323	1,475,788	2,209,111	346,939	1,040,816	1,387,755	821,356
(v) Warrant Charges and fines	892,382	2,274,515	3,166,897	892,382	882,629	1,775,011	1,391,886
							<u>3,513,869</u>

Following observations are made in this connection.

- (a) Out of the opening Arrears of Rates, recoveries had been made less than a percentage of 36 percent. Accordingly, there was a further balance of arrears amounting to Rs. 317,720.
- (b) Any recovery had not been made out of the Lease Rent and License Fees in arrears during the year.
- (c) The total of revenue in arrears relating to 5 Main Revenue Heads as at the date of end of the year under review had taken a high value such as Rs. 3,513,869.

3. Operating Review

3.1 Operational Inefficiencies

Following matters are observed.

- (a) License Fees in terms of provisions in Section 26 of the National Environment Act No. 47 of 1980 as amended by Act s No. 56 of 1988 No. 53 Of 2000 to be recovered from 47 Rice Mills, 08 Lodging Houses and Holiday Homes totalling Rs. 385,000 had not been recovered.
- (b) Action had not been taken to remit Stamp Duties amounting to Rs. 45,926 collected by the Sabha during the year 2014 to the Commissioner General of Inland Revenue.
- (c) While the Bus belongs to the Sabha had been improperly obtained for a two days hiring tour by the Police, the amount due for that amounting to Rs. 14,400 had not been recovered to the Sabha.

- (d) Fuel Allowances totalling Rs. 67,500 for the preceding year had been paid to the Sabha Members during the year under review, without provision being made under Creditors for the preceding year.

3.2 Contract Administration

Matters revealed in the physical inspection carried out on 28 November 2014 with regard to the following Works are shown below.

- (a) Although a sum of Rs. 255,550 had been paid for laying concrete in the mixture of 1:2:4 to the extent of 20.3m³ under item of work 02 of the Work relating to Development of Road near the Pussella Transformer, it was observed that concrete used were not up to the specified standard and that that it was at a breakable level.
- (b) It was observed that rafters and the beams used under items of work 11 and 12 in the estimate relevant to the Construction Work of the Kumbukoya Crematorium were not up to the specified standard and that those were not strong enough and that large size fissures were there.

3.3 Solid Waste Management

Garbage collected daily in the area of Authority of the Sabha are daily dumped into to a land beyond the Naminioya Tank belongs to the Government utilizing a tractor in unsecured manner. It was observed that this practice causing various problems to the environment and the wild life in the area.

4. Accountability and Good Governance

4.1 Budgetary Control

Following matters are observed.

- (a.) Out of the provision of Rs. 679,000 made available for 37 items of expenditure through the budget for the year under review, transfers to other items of expenditure and savings had been made without incurring any expenditure.
- (b.) Although it had been targeted to earn revenue totaling Rs. 1,691,200 under 17 Revenue Heads through the Budget for the year under review, any revenue had not been earned.
- (c.) Expenditure amounting to Rs.1,519,345 had been incurred exceeding the estimated expenditure limits of 17 expenditure Heads.

4.2 Audit Queries not resolved and replied

While replies had not been furnished to 05 queries out of the audit queries issued to the Sabha, as at 31 March 2015, the value of transactions which could be worked out, subject to those queries was Rs. 3,509,702.

5. Systems and Controls

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

- (a.) Accounting
- (b.) Revenue Administration
- (c.) Assets Management
- (d.) Contracts Control