

Wanathavilluwa Pradeshiya Sabha

Puttlam District

1. Financial Statements

1.1. Presentation of Financial Statements

The financial statements for the year under review had been presented for audit on 11 March 2015 and the financial statements for the preceding year had been presented on 28 February 2014. The report of the Auditor General for the year under review was issued to the Secretary of the Sabha on 13 August 2015.

1.2. Opinion

Except for the effects on the financial statements of the matters referred to in Paragraph 1.3 of this report, I am of opinion that the financial statements have been prepared in accordance with the Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Wanathavilluwa Pradeshiya Sabha as at 31 December 2014 and the financial result of its operations and cash flows for the year then ended.

1.3. Comments on Financial Statements

1.3.1. Accounting Deficiencies

The following accounting deficiencies are observed.

(a) The cost of balance fuel stock amounting to 720 litres valued at Rs.97,920, had not been brought to account.

(b) The expenditure on fixing vehicle accessories of capital nature amounting to Rs.200,420 had been brought to account as recurrent expenditure.

1.3.2. Un-reconciled Control Accounts

There was a difference amounting to Rs.750,561 in the total in 02 items of accounts, and the total in relevant schedules.

1.3.3. Accounts Receivable and Payable

The value of balances of accounts receivable and payable as at 31 December 2014 amounted to Rs.20,197,189 and Rs.18,566,745 respectively. Out of this, value of balances payable and exceeding 1 year amounted to Rs.4,123,901, whilst Rs.181,985 represents creditors of over 3 years. .

1.3.4. Lack of Evidence for Audit

The assets and liabilities relevant to 07 items of accounts, totalling to Rs.76,282,827, had not been verified satisfactorily, due to non-submission of sufficient evidence for the audit.

1.3.5. Non-compliance with Laws, Rules and Regulations

The following observations are made.

- a) Action had not been taken to collect the income due for the Sabha properly; and action had also not been taken to confiscate the movable property of defaulters for not paying the rates and taxes and acre taxes and recover the arrears; as stipulated in the Sections 129 (2) (a) and (d); and 158; of the Pradeshiya Sabha Act No. 15 of 1987 respectively.
- b) The value of lapsed deposits amounting to Rs.2,012,477 had not been taken as revenue, in accordance with the Public Financial Circular No. 5/3 dated 13 May 2010.

2. Financial 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 2014 amounted to Rs.2,933,782, as against the excess of recurrent expenditure over revenue amounting Rs.1,932,201 for the preceding year. In the year under review and the preceding year; the capital aid had been Rs.31,185,147 and Rs.22,025,989; whilst capital expenditure had been Rs.48,132,359 and Rs.20,576,094; respectively, and when these amounts are considered, the relevant deficit had been Rs.14,013,430 and Rs.482,306 respectively. Therefore the financial result had been deteriorated by Rs.13,531,124.

2.2. Revenue Administration

2.2.1. Performance on Revenue Collection

The information with respect to performance on revenue collection relevant to the year under review, submitted by the Secretary is indicated below.

	Item of Revenue	Estimated	Actual	Cumulative Arrears
				as at 31 December
		Rs.000,	Rs.000,	Rs.000,
a)	Rates and Taxes	710	692	1,133
b)	Rent	2,727	2,542	431
c)	Licence Fee	214	214	-
d)	Charges for Services	575	575	-
e)	Warrants and Fines	2,386	1,059	2,106
f)	Other Income	2,570	1,507	3,926

2.2.2. Rates and Taxes and Other Taxes

The total arrears in respect of rates and taxes, acre taxes, and water taxes as at 31 December 2014 amounted to Rs.1,133,072, and 42% out of this taxes represent the arrears in rates and taxes and acre taxes of over 05 years. Similarly the progress in collection of water taxes in 2014 was in a weak state.

2.2.3. Lease Rent, Stall Rent, Licence Fees and Charges for Services

The lease rent in arrears amounted to Rs.10,250, and out of this, Rs.2,750 had been carrying forward for a period between 1 to 3 years, and Rs.7,500 had been in arrears for a period between 3 to 5 years. The stall rent in arrears amounted to Rs.420,943, and Rs.67,019 had been in arrears for a period between 1 to 3 years.

2.2.4. Court Fines and Stamp Fees

The court fines amounting to Rs.2,106,413 sent from a Magistrate Court to the Chief Secretary of the North-Western Province had not been brought to account, whilst the stamp fees receivable from the Chief Secretary as at 31 December 2014 had not been computed and brought to account.

3. Operating Review

3.1. Management Inefficiencies

There were cadre vacancies in Sabha for one post in the Executive Grade and 07 posts in the Secondary Grade, whilst one Primary Post was in excess. 07 employees had been recruited on casual basis for the posts that had not been approved in the cadre.

3.2. Idle and Underutilized Assets

10 items of assets valued at Rs.676,000 owned by the Sabha, had been laying idle and underutilized for several years.

3.3. Identified Losses

1516 library books in Wanathavilluwa and Karativu libraries, valued at Rs.233,342 had been misplaced and action had not been taken to recover this cost from the parties responsible.

4.1. Budgetary Control

The provision for the budgeted capital expenditure in the year under review amounted to Rs.78,425,000, whilst the actual capital expenditure had been Rs.48,132,000. Therefore the relevant variances had been approximately 38%.

5. Systems and Controls

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

- a) Accounting
- b) Budgetary Control
- c) Revenue Administration