

Warakapola Pradeshiya Sabha

Kegalle District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 30 June 2015 while Financial Statements relating to the preceding year had been submitted on 01 April 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 03 August 2015.

1.2 Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Warakapola Pradeshiya Sabha at 31 December 2014 and its financial performance for the year then ended in accordance with Public Sector Accounting Standards of Sri Lanka.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following matters are observed.

- (a) Capital Grants of Rs. 24,982,875 received under 03 sources of funds for carrying out 86 Works during the year under review and expenditure incurred out of that had been accounted through the Deposits Account. Due to that, Capital Grants and Capital Expenditure for the year under review had been understated to that extent in the financial statements.

- (b) Rates Revenue amounting to Rs.100,664 and Acreage Tax amounting to Rs.1,604 received in respect of the ensuing year had been accounted as revenue for the year under review. Due to that, deficit for the year under review and Revenue Received in Advance had been understated at the rate of Rs.102,268 in the financial statements.

- (c) Provision for Creditors amounting to Rs.12,207 had not been made for Incentive Allowance for Court Fines in respect of the period from October to December of the year under review. Due to that, deficit for the year under review and Creditors' value had been understated at the rate of Rs. 12,207 in the financial statements.
- (d) Court Fines amounting to Rs.501,213 and Stamp Fees Revenue amounting to Rs. 205,949 for the preceding year had been overstated in the accounts. Due to that, the Accumulated Fund Account and the value of Debtors as at the end of the year had been overstated at the rate of Rs. 707,162 in the financial statements.
- (e) Provision for Creditors amounting to Rs.28,575 incentive allowance payable to District Land Registrar for 1,143 deeds relevant period from October to December of the of the year under review had not been made. Due to that, deficit for the year under review and Creditors' value had been understated at the rate of Rs.28,575 in the financial statements.
- (f) The sum of Rs.13,720,021 obtained from the Local Loans and Development Fund on the basis of paying back in 180 monthly loan installments from 30 October 2014, for construction of the Warakapola Health Centre Building and arrear of interest amounting to Rs.307,882 had not been shown under liabilities.
- (g) The value of the Health Centre Building constructed having spent a sum of Rs.42,670,273 during the year 2012 had not been accounted under Land and Buildings. Due to that, value of Fixed Assets had been understated to that extent.
- (h) The value of 07 blocks of land in extent of 03 acres 03 rude shown in the Register of Fixed Assets had not been assessed and accounted. Due to that, value of Assets had not been correctly disclosed in the accounts.

- (i) Although the Interest Income from Fixed Deposits for the year under review was Rs.795,310, it had been accounted as Rs.931,091. Due to that, Interest Income for the year and value of Fixed Deposits as at the end of the year had been overstated at the rate of Rs.135,781 in the accounts.
- (j) Although the value of books received as donations for the libraries in Dethigama, Warakapola, Maingnoluwa and Algama was Rs. 95,474, it had been shown as Rs. 115,681. Due to that, Revenue had been overstated in sum of Rs.20,207.

1.3.2 Non-reconciled Control Accounts

While the total of balances as at the end of the year under review relevant to 06 items of accounts according to financial statements was. Rs. 40,943,801, according to the subsidiary register and records, total of those accounts had been Rs. 74,516,186 indicating a difference of Rs. 43,572,385.

1.3.3 Receivable and Payable Accounts

- (a) While the value of the Accounts Receivable balances as at 31 December 2014 was Rs.29,037,327, out of that balances amounting to Rs.19,586,048 were old more than a year.
- (b) While the value of the Accounts Payable balances as at 31 December 2014 was Rs.20,087,857, out of that balances amounting to Rs.5,451,331 were old more than a year.

1.3.4 Non-compliance with Laws, Rules and Regulations

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

**Reference to Laws, Rules,
Regulations and Management
Decisions**

Non-compliance

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| (a.) Financial Regulations of Democratic Socialist Republic of Sri Lanka | |
| i. F.R. 371 (2) (c) | - Out of Ad-hoc Advances obtained 20 instances, balance money amounting to Rs. 425,000 had not been settled in terms of the Regulation referred to in. |
| ii. F.R. 571 (3) | - Action had not been taken to clear 592 balances of Deposits amounting to Rs. 5,348,863 which had elapsed more than 02 year even as at 31December 2011. |
| (b.) Establishments Code of the Republic Sri Lanka
Clauses 1.6 and 4 in Chapter XXIV | - Staff Loans amounting to Rs. 137,660 due to be recovered from 07 officers since the year 1988 had not been recovered. |
| (c.) Circular No. 2005/14 dated 01 June 2005 of the Sabaragamuwa Commissioner of Local Government
Condition 3(ii) | - While 09 Blocks of Land in extent of 10perches each had been sold in the area of authority of the Sabha by public auction, legal action had not been taken for non-payment of 1% tax based on the value of blocks of lands sold. |
| (d.) Provincial Councils Financial Rules Code
Rule 261.2.2 | - A sum of Rs. 350,000 had been given as Sub-Imprest exceeding Rs. 100,000 in two instances. |

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 2014 amounted to Rs.10,075,413 as compared with corresponding excess of revenue over recurrent expenditure amounted to Rs. 10,425,305 in the preceding year indicating a decline of Rs. 349,892 in the financial results.

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 relating to the year under review as presented by the Chairman is shown below.

Source of Revenue	Arrears as at 01.01.2014	Recoveries out of Arrears as at 31.12.2014	Billings during the year	Recoveries out of billings for the year	Recoveries out of arrears as at 01.01.2014	Out of billings for the year	Total Arrears
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
(i) Rates and Taxes	7,754,942	2,102,397	5,531,828	2,361,179	5,652,545	3,170,649	8,823,194
(ii) Lease Rent	204,235	71,988	3,542,860	3,383,624	132,247	69,236	201,483
(iii) Licence Fees	-	-	750,000	778,550	-	(28,550)	(28,550)
(iv) Other Revenue	18,510,761	4,209,504	57,040,214	51,265,451	13,801,257	5,774,763	19,576,020

2.2.2 Rates

Although an assessment of Rates should be made once in 05 years, Rates were being recovered based on the assessment made during the year 2008, for the year under review as well.

2.2.3 License Fees

A loss of Rs.76,000 had occurred to the Sabha due to failure in obtaining Environmental Permits in terms of National Environmental Act No. 47 of 1987 and as shown in Schedule iii of the Gazette Notification No. 1534/8 dated 01 February 2008 in respect of 17 industries carrying on in the area of authority of the Sabha.

2.2.4 Other Revenue

- (a) It was identified at the physical inspection carried out in audit on 21 October 2014 that 11 permanent and temporary Advertisement Boards were fixed. A fee had not been recovered from those Advertisement Boards. Amounting to Rs 70,655
- (b) Action had not been taken to recover Acreage Tax amounting to Rs. 885,119 due from 06 Estate Owners in the area of authority of the Sabha.

2.2.5 Court Fines and Stamp Fees

Court Fines amounting to Rs.1,814,963 and Stamp Fees amounting to Rs.10,283,965 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2014.

2.3 Surcharges

It is proposed to issue a Certificate of Surcharge for a sum of Rs.14,694 with regard to fixing a bungalow telephone contrary to laws and rules. in the year 2012

3. Operating Review

3.1 Management Inefficiencies

- (a) Action had not been taken to inquire into and recover money with regard to 04 cheques valued at Rs. 10,646 deposited in the month of October 2013, but not realized, relevant to the Bank Current Account No. 054-1-001-1-7380404 maintained in the Peoples' Bank, Warakapola.
- (b) Action had not been taken to get the ownership transferred in favor of the Sabha with regard to 07 vehicles provided by the Sabaragamuwa Provincial Council.

3.2 Operational Inefficiencies

Following matters are observed.

- (a) While action had not been taken to implement 12 Projects for which provisions were made available for the year under review, the total provision made had been Rs. 2,850,000.

- (b) Action had not been taken to partition and secure by putting up fences with regard to the land in extent of 106.5 perches provided to the Sabha for public activities connected with a land sold by blocking out during the year 2012.

3.3 Improper Transactions

While a technical report had not been obtained relevant to the Electricity Generator Machine purchased for a sum of Rs. 1,209,600 for the use of the crematorium, a service agreement for the Electricity Generator Machine too had not been entered into with supplier.

Value Added Tax amounting to Rs. 129,600 had been paid for the above mentioned Electricity Generator Machine purchased from the supplier who had not registered under the Value Added Tax Act No. 14 of 2002.

3.4 Under-utilized Assets

The Building constructed and completed in 2013 having spent a sum of Rs. 42,670,273 under Asian Development Bank Loan Assistance Scheme with the objective of providing health and educational facilities to the residents in the area of authority of the Sabha had not been utilized for the expected objective and was being used as an Assembly Hall.

4. Accountability and Good Governance

4.1 Budgetary Control

Following matters are observed.

- (a) Out of the provisions made available in the Budget furnished for the year under review, a total provision of Rs. 1,645,000 being 100% provisions for 09 items of work and out of the provisions of 556,147 , provisions between 55% and 97% for 06 items of work totalling all to Rs. 2,201,147 had not been utilized for Sabha activities.
- (b) A sum of Rs. 503,154 had been spent in excess of the approved estimates for 05 items of expenditure. Under these circumstances, the Budget had not been made use of as an effective tool of financial management.

4.2 Audit Queries not resolved and not replied

While replies had not been submitted to 02 audit queries as at 10 July 2015, value of transactions which could be computed, subject to those queries amounted to Rs. 851,000.

5. Systems and Controls

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

- (a.) Accounting
- (b.) Internal Control
- (c.) Budgetary Control
- (d.) Revenue Administration
- (e.) Assets management