

**Welikanda Pradeshiya Sabha**  
**Polonnaruwa District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

Financial Statements for the year under review had been submitted to Audit on 08 April 2015 while Financial Statements relating to the preceding year had been submitted on 03 June 2014. The Auditor General's Report relating to the year under review was sent to the Chairman on 30 July 2015.

**1.2 Opinion**

My opinion is that the financial statements give a true and fair view of the financial position of the Welikanda Pradeshiya Sabha as at 31 December 2014 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Deficiencies**

Following Accounting Deficiencies are observed.

- (a) Salary Arrears amounting to Rs. 25,000 payable to an officer during the year under review had not been shown under Creditors.
- (b) Although the value of Financial Acquisitions and Removals which should be shown under Investment Activities in the Funds Flow Statement was Rs. 211,412,682, that value had been shown erroneously as Rs. 15,080,011. Although the deficit from general operation was Rs. 4,084,286 it had been shown erroneously as Rs.1,933,043. Accordingly, correct information had not been presented through the Cash Flow Statement.

### **1.3.2 Lack of Evidence for Audit**

Transactions valued at Rs. 238,230,118 could not be satisfactorily vouched in audit due to non-submission of required information to audit.

## **2. Financial and Operating Review**

### **2.1 Financial Results**

According to the Financial Statements presented, excess of recurrent expenditure over revenue for the year ended 31 December 2014 amounted to Rs. 4,084,286 as compared with the corresponding excess of recurrent expenditure over revenue for the preceding year amounted to Rs.145,832, indicating a decline of Rs. 3,938,454 in the financial results when compared with the preceding year.

### **2.2 Revenue Administration**

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

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

	<b>Source of Revenue</b>	<b>Estimated Revenue</b>	<b>Actual</b>	<b>Cumulative Arrears as at 31 December</b>
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		Rs'000	Rs'000	Rs'000
(i)	Rates and Taxes	750	320	--
(ii)	Lease Rent	6,125	2,124	852
(iii)	Licence Fees	1,122	222	477
(iv)	Other Revenue	16,062	10,325	3,360

### **3. Operational Review**

#### **3.1 Idle and Under-utilized Physical Assets**

- (a.) Rice Flour and Rice Flour Associated Products making equipment Set valued at Rs. 613,500 belongs to the Sabha had been kept idle during a period of more than 5 years without being used for any purpose.
  
- (b.) Two vehicles of Four Wheeled Tractors and a Two Wheeled Hand Tractor belong to the Sabha had been kept idle in the Sabha ground during a period of more than 3 years without being used.

#### **3.2 Operational and Management Inefficiencies**

- (a) While it was observed that 47 cheques for Rs.6,048,500 written by the Sabha to make payments during the year under review had been cancelled, a clear reason for that was not revealed. Out of those cheques, 10 cheques valued at Rs.5,398,030 were cheques payable for Projects relevant to the year under review.
- (b) Adequate steps had not been taken by the Sabha to recover 7 balances in arrears amounting to Rs.436,695 shown under Other Revenue in Arrears.

#### **3.3 Internal Audit**

- (a) A provision of Rs. 2,000,000 had been made available to the Sabha by North Central Province Local Government Department for a Programme of providing Dairy Cattle for Widows under the Programme for Minimizing Poverty in Provinces according to a budget proposal for 2013. Without inquiries being made from the Government Animal Farm in the Polonnaruwa District to supply dairy cattle for the program, 33 dairy cattle had been purchased from a sum of Rs. 1,980,000 on the basis of quotations of a private supplier and had been distributed among 33 widows. It was observed that, there were no any written evidence with regard to selection of 33 widows, that it was not established through a sheet of signatures that the dairy cattle were obtained by the relevant beneficiaries and that a follow up procedure had been in operation with regard to successful implementation of that program.

- (b) Although a Procurement Committee should be appointed for the Sabha in terms of Clause 2.4 of the Procurement Guidelines, members of the Committee had not been named and Procurement Committee had not been appointed by the Welikanda Pradeshiya Sabha.

### **3.4 Budgetary Control**

Variations in a range from 25 per cent to 81 per cent between the budgeted revenue and the actual revenue for the year under review were observed due to preparation of estimates without proper forecast of revenue sources of the Sabha.

### **3.5 Solid Waste Management**

While a proper waste management procedure was not in operation in the area of authority of the Sabha during the year under review, action had been taken to dump garbage collected in the area into a jungle area improperly.

### **3.6 Internal Audit**

While an internal audit had not been carried out in the Sabah during the year under review and the previous years, an adequate audit had been carried out in the Sabha by the Local Government Department as well.

## **4. Systems and Controls**

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

- (a) Budgetary Control
- (b) Revenue Administration
- (c) Assets Management