

## **Walapane Pradeshiya Sabha**

### **Nuwaraeliya District**

#### **1. Financial Statements**

##### **1.1 Presentation of Financial Statements**

Financial Statements for the year under review had been submitted to Audit on 31 March 2016 while Financial Statements relating to the preceding year had been submitted on 31 March 2015. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 27 July 2016.

##### **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 Walapane Pradeshiya Sabha at 31 December 2015 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 matters are observed.

- (a) Although the Capital Grants Receivable as at 31 December of the year under review according to the Work Debtors Schedule was Rs.41,294,029, it had been accounted as Rs.41,641,733 . Due that, Debtors had been overstated in a sum of Rs.547,703 in the financial statements.
- (b) Although the amount payable under Pradeshiya Sabha Strengthening Program according to the Work Creditors Register was Rs.1,000,000, it had been accounted as Rs.1,700,000 . Due that, Creditors had been overstated in a sum of Rs.700,000.
- (c) Value of balance of stocks amounting to Rs.1,359,187 had been added to the Fixed Assets and shown in the Balance Sheet.

(d) Acreage Tax paid in advance amounting to Rs.2,446 had been shown deducted from the Acreage Tax Debtors.

### **1.3.2 Non-reconciled Control Accounts**

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There was non-reconciliation in a sum of Rs.109,586 between the total of balances relevant to 05 items of accounts amounting to Rs12,873,979 shown in the financial statements and balances amounting to Rs.12,983,565 shown in the relevant Subsidiary Registers.

### **1.3.3 Suspense Account**

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While the credit balance of the Suspense Account as at 31 December 2015 was Rs.5,497, action had not been taken to examine the reasons for that and settle it even up to 08 April 2016.

### **1.3.4 Accounts Receivable**

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While the value of the balance of Utility Services Recoverable Account as at 31 December 2015 was Rs.64,320,555, a sum of Rs.22,814,068 out that had been outstanding for a period exceeding a year.

### **1.3.5 Accounts Payable**

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While the value of the balance of Creditors Control Account as at 31 December 2015 was Rs.58,598,222, a sum of Rs.30,206,345 out that had been outstanding for a period exceeding a year.

### **1.3.6 Lack of Evidence for Audit**

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- (i) Transactions totaling Rs.21,040,024 could not be satisfactorily verified in audit due to non-submission of required information to audit.
- (ii) Board of Survey had not been carried out for the year 2015 and reports had not been submitted to the Auditor General. Therefore it was not possible to examine the accuracy in audit, with regard to the existence and value of Office Equipment, Furniture and Fittings and Stocks in Stores of the Sabha.

### 1.3.7 Non-compliance with Laws, Rules and Regulations.

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Following instances of non-compliance with Laws, Rules and Regulations etc., are observed in audit.

Reference to Laws, Rules and Regulations etc. -----	Non-compliance -----
(a) Pradeshiya Sabha (Financial and Administrative) Rule 218	Action had not been taken to carry out a Survey annually with regard to Land Buildings of the Sabha.
(b) Clause 4.6 in Chapter XXIV of the Government Establishments Code	Action had not been to recover Loan balances amounting to Rs.140,299 of 10 officers who were in service of the Sabha and left on transfers/ suspended service/ deceased.

## 2. Financial Review

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### 2.1 Financial Results

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According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2015 amounted to Rs.7,781,425 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.6,168,770. Accordingly, when compared with the preceding year, an improvement in a sum of Rs.1,612,655 was observed in the surplus. It was mainly due to increase in 05 items of revenue and decrease in 07 items of expenditure.

### 2.2 Revenue Administration

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#### 2.2.1 Performance in Revenue Collection

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

Item of Revenue	Arrears as at 01.01.2015	Recoveries out of arrears as 31.12.2015	Billings during the year 2015	Recoveries out of billings for the year	Recoveries		Total Arrears
					Out of Arrears as at 01.01.2015	Out of Billings for the year	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates	1,986,556	759,668	2,097,802	1,420,964	1,226,888	676,838	1,903,726
Stalls Rent	3,593,210	307,270	2,572,965	1,999,515	3,285,940	573,450	3,859,890
License Fees	--	--	1,944,290	1,994,290	--	--	--
Others	250,063	52,368,	276,100	210,250	197,695 --	65,850	263,545

### 2.2.2 Rates

Although there was an outstanding Rates balance of Rs.1,903,726 as at 31 December 2015, action in terms of Rule 33 of the Pradeshiya Sabha (Financial and Administrative) Rules Series of 1988 had not been taken for the recovery of those amounts.

### 2.2.3 Lease Rent

While Lease Rent to be recovered as at 31 December 2015 was Rs.3,859,359, action in terms of agreements had not been taken for the recovery of those amounts.

### 2.2.4 Meat Stalls Rent

Action had not been taken to recover Meat Stalls Rent amounting to Rs.1,221,267 shown in the financial statements since a period of more than 05 years.

### 2.2.5 Publicity Advertisements Boards Charges

Although by-laws had been imposed and notified in the gazette with regard to Publicity Advertisements Boards displayed in the area of authority of the Sabha, action had not been taken to recover charges after carrying out a proper survey.

### **2.2.6 Courts Fines and stamp Fees**

Stamp Fees amounting to Rs.5,284,340 and Court Fines amounting to Rs.1,588,012 were due to be recovered as at 3 December 2015.

### **2.2.7 Surcharges**

A Surcharge of Rs.29,975 imposed by me against the persons responsible, in terms of provisions in the Pradeshiya Sabha Act No. 15 of 1987 was due to be recovered as at 31 December 2015.

## **3. Operational Review**

### **3.1 Performance Evaluation**

Projects relevant to a provision of Rs.1,000,000 granted under Pradeshiya Sabha Strengthening Program had not been completed and bills had not been sent before 28 December 2015 for reimbursement . Due to that, receipt of those amounts to the Sabha had been uncertain.

### **3.2 Operational Inefficiencies**

Although a sum of Rs.2,169,371 had been spent during the year in respect of the Water Supply Project of the Sabha, revenue of Rs.287,550 only had been earned.

### **3.3 Project Delays**

Although repairs to drainage system around Nildandahinna Sub-office should have been carried out at an expenditure of Rs.300,000 before 28 December 2015 under Sabha Strengthening Program, it had not been completed even as at 07 April 2016.

### **3.4 Solid Waste Management**

While a proper methodology had not been followed by the Sabha with regard to Solid Waste Management, garbage was being dumped into the Ragala, Linsdale Estate in a manner causing damages to the environment.

## **4. Accountability and Good Governance**

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### **4.1 Budgetary Control**

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- (i) According to the Budget prepared for the year under review, when estimated revenue and expenditure are compared with the actual revenue and expenditure, variations from 13 per cent to 55 per cent in 06 Items of revenue and variations from 09 per cent to 186 per cent in 08 items of expenditure were observed. Accordingly, it was observed that the Budget had not been made use of as an effective tool of management.
- (ii) Budgeted and supplementary provisions had not been compared with actual and a explaining the reasons with regard to surpluses and excesses under each item of revenue and expenditure had not been prepared and submitted in terms of Rule 193 of the Pradeshiya Sabha (Financial and Administrative) Rules Series.

### **4.2 Assets Management**

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

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Eight items of assets valued at Rs.2,758,000 belong to the Sabha remained idle for a period more than 08 years.

## **5. Systems and Controls**

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

- (a) Accounting
- (b) Internal Control
- (c) Revenue Administration
- (d) Debtors and Creditors Control