

**Wanathawilluwa Pradeshiya Sabha**  
**Puttlam District**

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1. Financial Statements

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1.1 Presentation of Financial Statements

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The financial Statements for the year under review had been presented for Audit on 14 March 2016 and the financial statements for the preceding year had been presented on 11 March 2015. The report of the Auditor General for the year under review was issued to the Secretary of the Sabha on 20 July 2016.

1.2 Qualified Opinion

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Except for the effects on the financial statements of the matters referred to in Paragraph 1.3 of this reports, 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 Wanathawilluwa Pradeshiya Sabha as at 31 December 2015.

1.3 Comments on Financial Statements

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1.3.1 Accounting Deficiencies

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The following deficiencies are observed.

- (a) Separate ledger accounts of the main ledger had not been maintained for 03 current accounts and deposit accounts.
- (b) Value of the final stock had been understated by Rs.13,282 and overstated by Rs.524
- (c) Other revenue of Rs.33,650 had been brought to account as Street Line Fees and revenue amounting to Rs.8,700 of body building centre and Rs.350 of ayurvedic medical centre had been brought to account as library membership fees.

1.3.2 Accounts Receivable and Payable

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Value of accounts receivable and payable as at 31 December 2015 amounted to Rs.15,016,046 and Rs.11,820,801 respectively of which the total value of balance over one year amounted to Rs.3,866,459 and Rs.5,745,206 respectively.

1.3.3 Lack of Evidence for Audit

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Account balance amounted to Rs.977,574 could not be verify satisfactorily due to non submission of information required to audit.

## 2. Financial Review

### 2.1 Financial Result

According to financial statements presented, the excess of recurrent expenditure over income of the Sabha for the year ended 31 December 2015 amounted to Rs.16,258,030 as compared with the excess of the recurrent expenditure over income for the proceeding year amounted to Rs. 2,933,782.

### 2.2 Analytical Financial Review

#### Structure of Expenditure

Budgeted and actual expenditure of the Sabha along with relevant variance during the year under review are indicated below.

<b>Item of Expenditure</b>	<b>Budgeted</b>	<b>Actual</b>	<b>Variance</b>
	<b>.Rs</b>	<b>.Rs</b>	<b>.Rs</b>
	<b>000'</b>	<b>000'</b>	<b>000'</b>
<b><u>Recurrent</u></b>			
<b><u>Expenditure</u></b>			
Personal emoluments	19,326	24,946	(5,620)
Other	26,190	21,639	4,551
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Sub total	45,516	46,585	(1,069)
Capital Expenditure	91,300	113,797	(22,497)
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Grand Total	136,816	160,382	(23,566)
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### 2.3 Management of Working Capital

Ratio between current assets and current liability of the preceding year had been 1.35:1 while the same during the year under review was 2.14:1 and its standard ratio had been 2.1.

### 2.4 Revenue Administration

#### 2.4.1 Performance in Collecting Revenue

(a) Information relating to estimated revenue, actual revenue and revenue in arrears during the year under review are as follows:

Item of Revenue	Estimated	Actual	Acumulative arrears as at 31 December
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	Rs. '000	Rs. '000	Rs. '000
Rates & Taxes	990	894	1,118
Rent	28,891	28,120	1,137
License Fees	308	308	--
Charges for Services	593	593	--
Warrant and fines	1,569	2,530	313
Other revenue	3,573	2,657	4,493

(b) Progress with regard to the recovery of revenue in arrears and billed revenue of the Sabha during the year under review are as follows:

Item of Revenue	Revenue in arrears as at 01.01.215	Recovery from arrears	Billed revenue of the year	Recovery from billed revenue	Cumulative arrears as at 31.12.2015
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	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Rates & Taxes	1,133	485	887	417	1,118
Lease rent	431	18	2,876	2,152	1,137
Warrants/Fines	-	-	1,491	1,177	313
Other revenue	3,594	1,467	2,368	-	4,493

#### 2.4.2 Rates and Taxes

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Total arrears of rates, acreage tax and water taxes amounted to Rs.1,117,831 while taxes in arrears over 05 years amounted to Rs.257,356. Progress of water tax recovery had been poor in 2015.

Total balance of rates and taxes in arrears over 05 years amounted to 36% of the total in arrears.

#### 2.3.4 Lease Rent

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Lease rent in arrears as at 31 December of the year under review amounted to Rs.287,264 of which Rs.10,250 were in arrears over a period between 03-05 years.

#### 2.4.4 Stall Rent

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Stall rent in arrears as at 31 December 2015 amounted to Rs.858,290 of which Rs.419,543 were in arrears over a period between 1 – 3 years.

#### 2.4.5 Licence Fees

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Licence fees amounting to Rs.214,440 had been recovered during the preceding year and it had been Rs.179,560 during the period under review.

#### 2.4.6 Charges for Services

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Charges from services recovered in the preceding year amounted to Rs.575,188 and during the year under review it amounted to Rs.722,103.

#### 2.4.7 Court Fines and Stamp Fees

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Court fines recoverable as at 31 December amounted to Rs.313,333 and action had not been taken to bring stamp fees amounting Rs.4,492,700 recoverable at this date. Of this amount Rs.2,348,869 were in arrears over a period between 1 – 3 years.

### 3. Operating Review

#### 3.1 Management Inefficiencies

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The following observations are made.

(a) Action had not been taken to undertake any development activity utilizing funds of the Sabha during the year under review.

#### (b) Staff Loan

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Steps had not been taken to recover employee loans, balance amounting to Rs.13,758 recoverable from officers retired, transferred and vacated posts.

(c) Whereas the Sabha was required to pay a surcharge of Rs.43,341 due to non-payment of ETF Contribution from January 2002 to March 2013, it had not been settled so far. Information on the number of employees relating to this surcharge had not been submitted for auditing.

(d) Performance Report for 2015 had not been prepared.

#### 3.2 Human Resources Management

Post of the Secretary of the Sabha, 08 secondary grade posts and 02 primary grade posts remained vacant while 21 persons in 08 primary grade posts and one in secondary grade post had been employed.

### 3.3 Idle Assets

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12 items of assets valued at Rs.1,070,000 and 05 items of assets not assessed the value had been remaining idle over a number of years.

### 3.4 Transactions in Contentious Nature

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Circuit Bungalow of Gangewadiya had been leased out for 30 years from 01 March 2015 at a lease rent of Rs.30,100 per month without any assessment and deviating from procurement process. Further the Sabha had taken action to make available the Fibre Boat 125 HP with outside fitted engine received by the Pradeshiya Sabha at the time of Tsunami disaster to the same lessee from 01 March 2015 on a hiring fee of Rs.15,100 per month.

### 3.5 Identified Losses

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According to Board of Surveys carried out from 2012 to 2014 1516 library books total value of which amounted to Rs.233,342 had been lost. According to Board of Survey of 2015 the number of books lost were 658 and their value was Rs.104,301. The had not been recovered from responsible persons.

### 3.6 Solid Waste Management

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The Pradeshiya Sabha had entered into agreements with contractors to undertake "Pilisar" solid waste management project at a cost of Rs.3,169,300 by utilizing provisions of Rs.3,875,897 of the year under review. By utilizing provisions amounting to Rs.2,667,713 received during 2015, bills to the value of Rs 2,483,559 had been settled while Rs.184,154 remained in the account. Value of bills to be paid amounted to Rs.563,887 of that amount advance of Rs.173,975 were settled. However due to provisions required to settle the sum of Rs.389,912 payable following the settlement of the above advance, having not been obtained, it was not possible to complete the project. Only one person had been employed in this waste recycling project on which a large sum of money was spent. Therefore underutilization of provisions were observed at the end of the year under review.

## 4. Good Governance & Accountability

### 4.1 Budgetary Control

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Provisions for budgeted capital expenditure of the year under review amounted to Rs.91,300,000 while the actual expenditure had been Rs.113,796,770. Accordingly Rs.22,496,770 had been spent in excess of the budgeted provisions representing a variance of 25%.

5. Systems & Controls

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Special attention is drawn to the following fields of systems & controls.

- (a) Accounting
- (b) Budgetary control
- (c) Revenue administration
- (d) Solid Waste Management