

Wariyapola Pradeshiya Sabha

Kurunegala 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 15 August 2016.

1.2 Qualified 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 Wariyapola Pradeshiya Sabha as 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 accounting deficiencies are observed.

- (a) Payment of allowances amounting to Rs. 13,542 for collection of fees from vehicles during December of the preceding year had been accounted as an expenditure of the year under review.
- (b) Payment of allowances amounting to Rs. 55,800 for collection of fees from buses during December of the preceding year had been accounted as an expenditure of the year under review.
- (c) Settlement of Railway Bills amounting to Rs. 1,520 of the preceding year had been taken as an expenditure of the year under review.

1.3.2 Accounts Receivable

While the value of Accounts Receivable balances as at 31 December 2015 was Rs. 77,361,081, value of balances remained unrecovered for more than a period of 03 years out of those amounted to Rs. 6,404,520.

1.3.3 Accounts Payable

While the value of Accounts Payable balances as at 31 December 2015 was Rs. 61,968,735, there were balances remained payable for more than a period of 03 years out of those amounting to Rs. 4,161,572.

1.3.4 Non-compliance with Laws Rules, Regulations etc. .

Steps had not been taken as per directions in Financial Regulation 570 and 571 for settlement of Deposits amounting to Rs. 461,101 that had elapsed more than 02 years from the date of deposit

02 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 2015 had been Rs 56,289,766 as compared with the corresponding excess of revenue over recurrent expenditure amounted to Rs.34,185,282 during the preceding year indicating an improvement of Rs. 22,104,484 in the financial result. After adjustment of the Capital Grant amounting Rs. 130,823,997 and Capital Expenditure amounting to Rs. 184,555,739 to this, **operational** result, financial result relevant to the year under review had become a surplus of Rs. 2,558,024.

2.2 Analytical Financial Review

Following matters are observed.

- (a) Actual revenue and expenditure relevant to the year under review and the preceding year and relevant variations are shown below.

Source of Revenue	Revenue			Expenditure Item	Expenditure		
	2015	2014	Variance		2015	2014	Variance
	Rs.000	Rs.000	Rs.000		Rs.000	Rs.000	Rs.000
(i) Generated Revenue	24,901	24,687	214	Personal Emoluments	82,596	52,380	(30,216)
(ii) Others	<u>148,991</u>	<u>148,774</u>	<u>217</u>	Others	<u>35,006</u>	<u>86,896</u>	<u>51,890</u>
Sub total	173,892	173,461	431	Sub total	117,602	139,276	21,674
(iii) Capital Grant	130,,824	148,423	(17.599)	Capital Expenditure	184,656	156,852	(27,704)
Grand Total	<u>304,716</u>	<u>321,,884</u>	<u>(17,168)</u>	Grand Total	<u>302,158</u>	<u>296,128</u>	<u>(6,030)</u>
Operational Result	56,,290	34,185	22,105	Surplus	25,558	25,756	(198)

- (b) Out of the total Recurrent Revenue of Rs.173,892,105 relevant to the year under review, a sum of Rs.122,354,154 or 70 per cent was revenue not falling under a nature generated in the Sabha and were receipts such as Court fines, Stamp Fees and Salary Reimbursements. Similarly, the entire capital revenue of Rs. 130,823,997, was consist of funds provided for development works in the area of authority of the Sabha on the basis provisions of other institutions such as sources from Gama Neguma and Maga Nguma.
- (c) Out of the total Recurrent Expenditure of Rs. 117,602,339 relevant to the year under review, a sum of Rs. 82,595,599 or 70 per cent was expenditure for Personnel Emoluments. Out of that, a sum of Rs. 78,,429,691 or 94 per cent had been received from the Commissioner of Local Government as salary reimbursements while that value had been accounted under other Revenue. Similarly, out of the capital expenditure of Rs. 184,555,739, a sum of Rs. 55,342,162 or 29 percent had been spent out of the Sabha Fund, while the balance

sum of Rs. 129,213,577 or 70 percent were consist of development activities on the basis provisions of other institutions such as sources from Gama Neguma and Maga Nguma.

2.3 Revenue Administration

2.3.1 Performance in Revenue Collection

Estimated Revenue, Actual Revenue and Arrears of Revenue relevant to the year under review and the preceding year were as shown below.

Item of Revenue	Estimated	Actual	2015		2014	
			Accumulated Arrears as at 31 December	Estimated	Actual	Accumulated Arrears as at 31 December
			000			000
(i) Rates and Taxes	3,123	2,212	1,285	4,270	4,879	1,282
(ii) Lease Rent	9,112	8,991	361	9,195	8,564	352
(iii) License Fees	644	644	--	657	799	29
(iv) Other Revenue	41,148	2,828	45,091	93,204	145,607	59,554
Total	54,027	14,675	* 46,737	107,326	159,849	61,217

2.3.2 Revenue Billed and Arrears of Revenue

Particulars are shown below.

Item of Revenue	Balance of Revenue			Collections of Revenue			Out of Arrears as at 01.01.2015	Out of Billing	Total Arrears as at 31.12.2015
	Arrears as at 01.01.2015	Billings during the year	Total	Collection From arrears	Collection From billing	total -			
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs. 000	Rs.000	Rs.000
Rates and Taxes	1,282,428	3,123,204	4,405,632	901,930	2,211,960	3,113,890	380,498	911,244	1,291,742
Rent Revenue	351,865	9,111,763	9,463,628	111,600	8,991,263	9,102,863	240,265	120,500	360,765
License Fees	--	643,890	643,890	--	643,890	643,890	--	--	--
Charges for Services	29,400	--	29,400	29,400	--	29,400	--	--	--
Warrant Charges and fines	502,625	4,126,675	4,629,300	502,625	2,827,550	3,330,175	--	1,299,125	1,299,125
Fines									
Other revenue	59,051,972	37,021,403	96,073,375	56,352,669	--	56,352,669	2,699,303	37,021,403	39,720,706
Total	61,218,290	54,026,935	115,245,225	57,898,224	14,674,663	72,572,887	3,320,066	39,352,272*	42,672,338

* Balances of arrears shown in the financial statements do not tally with the balances submitted by the Sabha.

2.3.3 Rates

Following matters are observed.

- (a) While a sum of Rs. 3,070,593 had been billed for 4134 Rates in the area of authority of the Pradeshiya Sabha, overall arrears as at 31 December 2015 amounted to Rs. 1,182,080. While the opening arrears of Rates had been Rs. 1,167,802, arrears of the Sub-office in that was Rs.301,625. Out of this, the amount recovered had been Rs. 185,109 or only 61 percent.
- (b) While opening arrears of the Pradeshiya Sabha was Rs. 107,694, out of that, the amount recovered had been Rs. 12,920 or only 12 percent. Accordingly, the progress in recovery of arrears in the field had been in a very low level.

2.3.4 Lease Rent

Arrears of Revenue relating to leasing out assets at of the year under review had been Rs. 251,345. Out of that, a sum Rs. 204,550 had been balances which were being brought forward since the year 2009.

2.3.5 Court Fines and Stamp Fees

Court Fines amounting to Rs. 1,299,125 and Stamp Fees amounting to Rs. 39,720,706 were Receivable from the Chief Secretary to the Provincial Council as at the end of the year under review.

03. Operating Review

3.1 Management Inefficiencies

Following observations are made.

- (a) While the Staff Loans balance of the Pradeshiya Sabha outstanding to be recovered as at 31 December 2015 was Rs. 5,883,720, there were 23 loan balances amounting to Rs. 31,992 not being recovered during about 16 years since the year 2000 up to now, due to reasons such as retirements, transfers and not reporting for work were included therein. Action had not been taken to recover those loans.
- (b) Two bank accounts with balances totaling Rs. 12,508 according to the Pradeshiya Sabha had been dormant.

3.2 Solid Wastes Managementll,

Assembly Hall of the Wariyapola Solid Waste Management Centre half way completed, by using concrete posts, iron cuffs, and sink aluminum sheets and applying concrete to the ground, having spent a sum of Rs. 520,000 from Provincial Criteria based Grants and a sum of Rs. 274,347 from Sabha Fund as well, had been used for collection of saleable solid wastes, contrary to the relevant objective.

3.3 Environmental Problems

When selling Talagahagama Land after making allotments consist of 80 parts of lands, the development plan of the land had been approved by the Sabha on 18 January 2015. While width of the road had been only 6 feet, three phase electricity had not been provided for the allotments. While there was no scheme for water facilities, at the end of the land allotment No. 73 in extent of 03 Rude 10 Perches had been allocated for common amenities of the Sabha. However, Coconut Trees uprooted and removed and parts of roots had been left there. It had been used for during garbage. It was observed that the water in the drains cut on two sides of the road made when making allotments is flowing into the relevant land.

04. Accountability and Good Governance

4.1 Assets Management

4.1.1 Idle and Underutilized Assets

Following matters are observed.

- (a) While traders had refused to go to the fish board in the upper end of Bamunakotuwa Weekly Fair constructed on contract basis under the supervision of the North Western Engineering Department, under the Deyata Kirula Program during the year 2014, at the physical inspection carried out on 09 October 2015, it was observed that wild plants had grown up between the place where fish board located and floor stones fixed. The latrine complex constructed too had been grown with wild plants due non-use.
- (b) While 05 vehicles of the Pradeshiya Sabha had been in unserviceable condition for about 04 years, action had not been taken to repair and use or other suitable step.

4.2 Unsettled Liabilities

A sum of Rs. 3,056,174 was payable to the Pension Department on account of pension contribution as at 31 December of the year under review.

05. Systems and Controls

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

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Management.