

Wilgamuwa Pradeshiya Sabha

Matale District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 25 April 2016 and the financial statements for the preceding year had been presented on 06 May 2015.

1.2 Opinion

In my opinion, except for the effects of the matters shown in paragraphs 1.3 of this report, the financial statements give a true and fair view of the financial position of the Wilgamuwa 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

The following accounting deficiencies are observed in audit.

- (a) Warrant charges for the year under review had been billed as Rs.3,932,203. However, it had been entered as Rs.8,463,567 in the Income and Expenditure Account overstating the revenue by Rs. 4,531,362.
- (b) Capitalization of land and buildings had been overstated by Rs.1,966,573 during the year under review.
- (c) The interest on fixed deposits amounting Rs.67,681 had been brought to account as Rs.108,921 overstating the balance of the fixed deposits and the revenue from interest by Rs.41,240.
- (d) The revenue from entertainment tax of the previous year amounting to Rs.21,500 had been included as revenue of the year under review.
- (e) The sum of Rs.1,283,466 billed as Work Debtors and Creditors during the previous year had again been billed as debtors and creditors during the year under review. As a result, the capital revenue and expenditure as well as the debtors' and creditors' balances had been overstated by similar amounts.

- (f) The payment of Rs.249,709 made for the improvements made to the Perakanaththa Gammeda Road during the year under review had been considered as creditors and payments made accordingly. As a result, the balance of creditors had been understated by a similar amount.
- (g) The arrears of week end fair fees of Rs.232,488 and the stamp fees recoverable amounting Rs.46,800 had been shown as receivables in the financial statements.
- (h) The bank balance had been understated by Rs.100,000 as per bank reconciliation statement as at 31 December of the year under review.
- (i) The balance of Work Creditors amounted to Rs.3,829,878. However, the current liabilities shown in the Balance Sheet amounted to Rs.6,311,917. As a result, the balance of the said account had been overstated by Rs.2,482,039.
- (j) Action had not been taken to bring to account the value of 119 library books received as donation.
- (k) The journal entry made to rectify the accounting deficiencies of the year 2014 was not correct and as such the capital expenditure and the accumulated fund had been overstated by Rs.72,544 and 66,066 respectively.
- (l) Action had not been taken to rectify certain accounting deficiencies pointed out in the Auditor General's report of the previous year.

1.3.2 Unreconciled Control Accounts

There were differences between the balances of 06 items of accounts shown in the financial statements as Rs.35,827,280 and the balances shown in the related subsidiary registers and reports. The differences observed aggregated Rs.3,029,124.

1.3.3 Suspense Account

A sum of Rs.6,763,947 had been debited during the year under review to the credit balance of Rs.657,609 of the Suspense Account shown in the financial statements as at end of the previous year. As a result, the debit balance as at end of the year under review amounted to Rs. 6,106,338.

1.3.4 Accounts Receivable

Action had not been taken even during the year under review to settle the balances of 05 accounts aggregating Rs.4,365,811 which continued to be brought forward in the financial statements for many years.

1.3.5 Accounts Payable

Action had not been taken during the year under review to settle the balances of accounts amounting to Rs.3,612 which continued to be brought forward in the financial statements for many years.

1.3.6 Lack of Evidence for Audit

The balance of 05 items of accounts aggregating Rs.9,329,687 could not be satisfactorily vouched in audit to non-remission of necessary information for audit.

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

The following Instances of non-compliances with laws, rules, regulations detailed below were observed in audit.

Reference to Laws, Rules, Regulations etc.,	Non-compliance
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(a) Financial Regulation of the Republic of Sri Lanka No.371	Action had not been taken to settle the advances of over 07 years aggregating Rs.3,452,089
(b) Public Finance Circular No.04/2015 of 14 July 2015	Insurance facilities had not been competitively obtained by calling quotations. Instead, 11 vehicles of the Sabha had been insured through an insurance agent. As such, the loss caused to the funds of the Sabha amounted to Rs.26,037.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2015 amounted to Rs.10,576,228 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.455,125 resulting in an improvement in financial results of the year under review by Rs.10,121,103.

2.2 Analytical Financial Review

- (a) Increase in 04 items of revenue had mainly attributed to the improvement in financial results by Rs.10,121,103. However, the revenue from warrant charges of the year under review had been over estimated by Rs.4,531,362. As such, the actual improvement in financial results is subjected to alterations.
- (b) According to the programmewise comparison of the recurrent revenue and the expenditure of the year under review, it was observed that there were excess of expenditure over income in 02 out of 06 programmes.
- (c) Excess of capital expenditure over capital receipts were observed in 02 programmes of the year under review.

2.3 Revenue Administration

2.3.1 Performance in collection of Revenue

The Sabha had been deprived of an extensive revenue as a result of recovering a fixed rate as water charges from 121 consumers of water from the water projects of the Sabha without installing water meters.

2.3.2 Rates and Taxes

The balances of arrears of rates and taxes as at 31 December of the year under review amounted to Rs.291,096. This included balances of over 01 year amounting to Rs.60,509 and balances of over 05 years amounting to Rs.186,638.

2.3.3 Water Charges

The balances of arrears of water charges as at 31 December of the year under review amounted to Rs. 747,011. This included balances of over 05 years amounting to Rs.161,823.

2.3.4 Court Fines and Stamp Fees

The court fines and stamp fees recoverable from the Chief Secretary of the Provincial Council and other authorities as at 31 December of the year under review amounted to Rs.1,335,095 and Rs.46,800 respectively.

3. Operating Review

3.1 Management Inefficiencies

The following matters are observed.

- (a) Action had not been taken to fill 14 vacancies of 06 posts of the Sabha.
- (b) Three officers who had obtained motor cycles as public servants, under the programme of offering motor cycles to public servants had also obtained motor cycles as members of the Pradeshiya Sabha. Although the value of a motor cycle should have been recovered from the members concerned, action had not been taken accordingly.

3.2 Contract Administration

(a) Improvements to the Lediyangala Public Library

A sum of Rs.1,000,000 had been provided for the said project. The contract had been awarded to the Meegaha Amuna Farmers' Association by entering into an agreement on 26 February 2015. However, the financial ability and the previous work performed by them had not been evaluated and as such the work that should have been completed by 26 July 2015 had not been completed even by 05 May 2016.

3.3 Delays in Projects

The following matters are observed.

- (a) Provison amounting to Rs.500,000 had been obtained for constructing a compost division of the Solid Waste Material Programme under the Provincial Specific Development Plan. This had been cancelled as the project concerned had not been completed within the specified period.
- (b) Action had not been taken to complete 04 out of 05 projects under the Strengthening of Pradeshiya Sabha Programme.
- (c) Action had not been taken during the year under review to complete 09 projects valued at Rs.685,000 which were expected to be completed by the Technical Services Institution.

3.4 Solid Waste Material Management

Garbage of about 2 metric tons collected within the authoritative area of the Sabha daily had not been recycled. Instead, it had been daily disposed of, at the Thimburuththawa government land situated above the Namina Oya, by utilizing tractors. The garbage had been disposed of without being separated and endangering the environment.

4. Good Governance and Accountability

4.1 Budgetary Control

- (a) No expenditure, whatsoever, had been incurred from the provision of Rs.2,428,000 made for 93 objects.
- (b) Vacancies ranging from 30 to 95 per cent were observed between the net provision and the actual expenditure relating to 20 objects.
- (c) No revenue, whatsoever, had been earned from the estimated revenue of Rs.2,720,000 relating to 10 items of revenue.
- (d) Significant variances were observed between the budgeted and actual revenue and expenditure consequent to the transfer of provision among the items of revenue and expenditure during the year under review showing that the budget had not been utilized as an efficient instrument of management control.

4.2 Annual Procurement Plan

The Pradeshiya Sabha had not prepared a Procurement Plan for the year under review.

4.3 Internal Audit

Action had not been taken to conduct internal audit in terms of Rule 5(7) of the 1988 (Finance and Administration) Code of Rules.

4.4 Audit and Management Committees

Although Audit and Management Committees should be established in terms of the letter No.CPC/CCG/1/9/1/4 of 08 August 2014 of the Commissioner of Local Government, action had not been taken to establish the committee concerned up to 31 December of the year under review.

4.5 Assets Management

The following matters are observed.

(a) Idle and under utilized Assets

The cab No.53-4732 valued at Rs.750,000, the tractor No.49-8220 valued at Rs.840,000 and trailer No.67-0339 valued at Rs.90,000 remained idle without being used for about 2 years.

(b) Annual Board of Survey

The board of survey for the year under review had not been carried out even by 02 May 2016.

5. Systems and Controls

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

- (a) Accounting
- (b) Budgetary Control
- (c) Revenue Administration
- (d) Human Resources Management
- (e) Assets Management.
- (f) Contract Administration.