

Wanathawilluwa Pradeshiya Sabha

Puttalam District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2016 had been submitted to Audit on 13 March 2017 while Financial Statements relating to the preceding year had been submitted on 14 March 2016. The Auditor General's Report relating to the year 2016 was sent to the Secretary of the Sabha on 31 August 2017.

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 Wanathawilluwa Pradeshiya Sabha as at 31 December 2016 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

A sum of Rs.149,096 receivable for 06 development projects as at 31 December 2016 had been understated.

1.3.2 Non-reconciled Control Accounts

The employees loans amounting to Rs.1,137,766 according to the financial statements stood at Rs.1,153,893 according to the relevant loan schedule and the arrears in rental amounting to Rs.222,019 stood at Rs.633,658 according to the consolidated income statement.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

Out of the balances of Accounts Receivable amounting to Rs.28,653,053 as at 31 December 2016, balances of Rs.5,936,613 remained outstanding for more than a period of one year.

(b) Accounts Payable

Out of the balances of Accounts Payable amounting to Rs.16,130,462 as t 31 December 2016, balances of Rs.5,558,644 remained unsettled for more than a period of one year.

1.3.4 Lack of Evidence for Audit

As the schedules, registers of assets and the Acreage Tax Registers relevant to 06 items of accounts had not been made available to Audit, assets totaling Rs. 39,353,429 could not be satisfactorily examined.

1.3.5 Non-compliance with Laws, Rules, Regulations and Management Decisions

Following non-compliances were observed in audit.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
---	-----------------------

(a) <u>Pradeshia Sabha Act No.15 of 1987</u> Section 158	Action had not been taken to seize the immovable property of the persons who default the payment of rates and acreage tax within the area of authority of the Sabha and recover the money.
---	--

(b) <u>Pradeshia Sabha Rules (financial and administration) of 1988</u> Rule 203	Board of Survey on all the assets of the Sabha had not been conducted at the end of each year.
---	--

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 2016 had been Rs.11,810,047 as compared with corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.16,258,030.

2.2 Analytical Financial Review

Increase in the recurrent expenditure and decrease of the income not generated in the Sabha had mainly attributed to the decrease of the financial results.

2.3 Revenue Administration

2.3.1 Performance of the Collection of Revenue

The estimated revenue for the year under review amounted to Rs.41 million, of which Rs.29 million had been collected during the year under review.

2.3.2 Rates

Out of the Rates amounting to Rs. 999,771 receivable as at 31 December 2016, a sum of Rs.719,681 remained outstanding for more than a period of one year.

2.3.3 Lease Rental

There was a delay in the recovery of arrears in lease rent amounting to Rs.222,019.

2.3.4 Stall Rent

Out of the arrears in stall rent amounting to Rs.1,135,294 as at the end of the year under review, a sum of Rs.714,952 remained unrecovered during a period from 1 to 3 years while a sum of Rs.67,019 remained unrecovered for more than a period of 03 years.

2.3.5 Court Fines and Stamp Fees

Court Fines amounting to Rs.887,668 and Stamp Fees amounting to Rs. 5,572,779 were receivable from the Chief Secretary to the North-Western Provincial Council.

3.2 Operating Review

3.1 Management Inefficiencies

Following matters were observed.

- (a) Without being taken action to identify the lands for which acreage tax should be recovered and situated in the area of authority of the Sabha and to recover the tax from those lands since a longer period of time, only the billing had been continuously carried out based on the Acreage Tax Register maintained from the past.
- (b) There were some instances where agreements had not been entered into in renting out the stalls of the Sabha to the businesspersons.
- (c) The Ismailpuram Library of the Sabha had been closed down from 21 December 2016.
- (d) The budgeted value amounting to Rs.6,072,779 for the year under review had been stated as receivable stamp fees in the financial statements.
- (e) The Performance Report for the year 2016 had not been prepared.
- (f) There were vacancies in a post of executive grade, 10 posts in secondary grade and 04 posts in primary grade and 11 individuals had been employed on casual basis in 03 posts of the primary grade in the approved cadre and 08 employees had been employed in a post of secondary grade extraneous to the posts of approved cadre.

3.2 Transactions of Contentious Nature

Without being obtained an approval of the Minister and without any assessment or procurement process, the Gangewadiya Circuit Bungalow had been given on lease for a period of 30 years from 13 May 2015 at a monthly lease rent of Rs.30,100 on the basis of increasing the lease rent at 10 per cent per annum. Further, the fiber boat with 125 Horse Powers received by the Sabha at the time of Tsunami catastrophe had been given on monthly rental of Rs.15,100 to the above lessee from January 2016.

3.3 Identified Losses

The following matters were observed.

- (a) Action had not been taken to recover the value of Rs.109,945 relating to the 657 misplaced books of the Wanathawilluwa and Karathieve Public Libraries from the persons responsible.
- (b) As the required number of employees had not been employed for the daily manufacturing activities of the compost yard constructed at a cost of Rs.2,947,090, the relevant project had become inactive.

3.5 Idle Assets

Nineteen assets valued at Rs.1,070,000 had remained idle for a period from 01 to 06 years.

04. Accountability and Good Governance

4.1 Budgetary Control

The budgeted capital expenditure of the year under review amounted to Rs.37,642,000 and the actual expenditure thereof amounted to Rs.10,655,502 and as such, the expenditure of the year under review had been a least amount of 28 per cent of the budgeted capital expenditure .

05. Systems and Controls

Deficiencies in the systems and controls observed during the course of audit were brought to the notice of the Sabha from time to time through my audit queries and special attention is needed in the following areas of systems and controls.

System	Observations
(a) Collection of Revenue	Arrears of revenue had annually increased and action in terms of the provisions of the Pradeshiya Sabha Act, had not been relating to the arrears of revenue.
(b) Library Administration	Action had not been taken to implement a programme to strengthen the readers societies.

- (c) Maintenance of Registers Subsidiary documents had not been maintained in an updated manner (Registers of debtors and creditors).

- (d) Budgetary Control Any project had not been implemented using budgeted funds of the Sabha.

- (e) Waste Management The project initiated for recycling wastes had not been duly implemented and as such the daily collected wastes had been disposed of in a manner causing environmental damages.