

# Wennappuwa 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 31 March 2017 while Financial Statements relating to the preceding year had been submitted on 31 March 2016. The Auditor General's Report relating to the year 2016 was sent to the Secretary of the Sabha on 19 September 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 Wennappuwa 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

The following matters were observed.

- (a) A sum of Rs.451,844 brought to accounts as an amount receivable in the preceding year had been debited to the Financial Account when writing it off through a journal entry.
- (b) The value of 03 blocks of lands amounting to Rs.175,000 received for the common purposes from the lands auctioned during the year under review had not been brought to account under the lands and building.
- (c) Five items of machinery valued at Rs.496,000 and 31 items of furniture and equipment valued at Rs.1,276,866 purchased during the year under review had not been capitalized.
- (d) Warrants and fines amounting to Rs.525,247 receivable relating to Rates as at 31 December of the year under review had been omitted from the accounts.

##### 1.3.2 Non-reconciled Control Accounts

The following matters were observed.

- (a) Differences of Rs.61,909,107 could be observed between the balances according to the schedules/subsidiary books presented relating to 11 items of accounts and the balances shown in the financial statements.

(b) A difference of Rs.1,586,790 was observed between the total assets as at the end of the year under review and the Revenue Contribution to Capital Outlay Account.

### **1.3.3 Suspense Accounts**

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Action had not been taken to recognize the balance of the suspense account amounting to Rs. 384,602 and the value of dishonoured cheques amounting to Rs.33,955 revealed in the monthly bank reconciliation statements from December 2014 and make the adjustments.

### **1.3.4 Lack of Evidence for Audit**

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The following matters were observed.

- (a) Due to lack of documents/deeds/Grants relating to the lands and buildings valued at Rs.199,633,143, details and schedules for 15 journal entries valued at Rs.61,239,698, and schedules , age analysis and updated documents for the assets valued at Rs.279,568,740 and debtors valued at Rs.134,385,829, those could not be satisfactorily vouched in audit.
- (b) The file inclusive of the plans, estimates etc. of the swimming pool constructed at the Albert Peiris Ground was not furnished to Audit.
- (c) The bank reconciliation statements relating to the Puraneguma Project were not presented to Audit.

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

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Following non-compliances were observed in audit.

<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Non-compliance</b>
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(a) <u>Pradeshiya Sabha Act No.15 of 1987</u>	
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(i) Section 136	
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Action had not been taken to recover the rates amounting to Rs.4,922,213 and acreage tax amounting to Rs.317,967 in respect of the leased out properties of the Sabha.

(ii) Section 149	
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As the Value Added Tax on the licence charges, Nation Building Tax and the Stamp Duty, a sum of Rs.244,780 and Rs.214,648 had not been recovered for the years 2014 and 2015 respectively.

(iii) Section 159 (i)

Action had not been taken to recover the outstanding rental amounting to Rs.2,273,935 recoverable on renting out the properties of the Sabha.

(b) Pradeshiya Sabha Rules (financial and administration) of 1988

(i) Rule No. 10 (8)

Three items of property of the Sabha had been misplaced. Accordingly, action had not been taken in a manner ensure the security of the properties.

(ii) Rule No.33

A list of the defaulters of Rates and the warrants of the prohibition of properties had not been prepared at the end of each quarter.

(iii) Rule 42

The notification on Rates and the “K” application relating to the payments had not been distributed before 31 December.

(iv) Rule 66

The Secretary had not taken action in accordance with the Section 150 (4) of the Pradeshiya Sabha Act, No.15 of 1987.

(c) Establishments Code of the Democratic Socialist Republic of Sri Lanka

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Section 02 (b) of the Public Administration Circular No.21/2013 dated 07 October 2013.

The records on the completion of duty had not been made for the computation of the number of hours of an employees who performed duty on weekends and the public holydays.

**2. Financial Review**

**2.1 Financial Results**

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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.137,039,973 as compared with corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.37,799,622.

## **2.2 Analytical Financial Review**

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Increase in the financial results by Rs.99,240,351 had mainly attributed to the increase in 5 items of revenue by Rs.80,127,074 and decrease in two items of expenditure by Rs.18,506,935.

## **2.3 Working Capital Management**

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The working capital ratio of the Sabha remained at a poor position of 1:4.

## **2.4 Revenue Administration**

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### **2.4.1 Performance of the Collection of Revenue**

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Of the revenue to be collected by the end of the year under review, 33 per cent of Rates, 97 per cent of Acreage Tax, 32 per cent of stall rent and 64 per cent of lease rent had not been recovered.

### **2.4.2 Rates**

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The following matters were observed.

- (a) Out of the billed Rates for the year under review amounting to Rs.9,221,764, only a sum of Rs.7,345,419 or 80 per cent had been collected during the year.
- (b) The arrears of Rates by the end of the year under review amounted to Rs.4,922,213. Accordingly, failure in the fulfillment of the responsibility of collecting of revenue was observed.

### **2.4.3 Lease Rental**

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Action had not been taken to recover a sum of Rs.6,537,981 that remained in arrears as at 31 December of the year under review.

### **2.4.4 Other Income**

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In terms of the Gazette No.1940 dated 06 November 2015 relating to the collection of revenue, charges had not been recovered from the temporary trade stalls of the trade fairs and for the parking three-wheelers.

#### **2.4.5 Court Fines and Stamp Fees**

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Court Fines amounting to Rs.17,525,533 and Stamp Fees amounting to Rs. 77,457,174 were Receivable from the Chief Secretary to the North-Western Provincial Council.

#### **2.4.6 Surcharge**

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According to the surcharges imposed by the Auditor General against the persons who should be responsible for under the Provisions of Section 172 (3) of the Pradeshiya Sabha Act, No.15 of 1987, the value of the surcharges to be recovered as at 31 December 2016 amounted to Rs.326,335

### **3 Operating Review**

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#### **3.1 Management Inefficiencies**

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Following matters are observed.

- (a) Seven projects, the estimated value of which according to the Development Plan of the Sabha amounted to Rs.19,200,000 had been abandoned.
- (b) Out of 114 projects inaugurated during the year under review, activities of 24 projects had not been completed.

#### **3.2 Management Inefficiencies**

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The following matters were observed.

- (a) Two current accounts containing balances of Rs.606,033 and Rs.58,617 by the end of the year under review had become dormant following the years 2014 and 2012 respectively.
- (b) The Gully Bowser bearing No.RX-0105 valued at Rs.6,390,000 received as a donation in the year 2014 had not been taken over by the Sabha up to 28 April 2017.

#### **3.3 Operating Inefficiencies**

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The environmental licence had not been obtained by 14 categories of business undertakings maintained within the area of authority of the Sabha for various purposes.

### **3.4 Identified Losses**

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The following matters were observed.

- (a) The receivable Rates, Acreage Tax and stall rent totaling Rs.1,877,845 billed in the preceding year had been written off against the Accumulated Fund.
- (b) Due to purchase of CFL bulbs, the Sabha had sustained a loss of Rs.396,360.

### **3.5 Contract Administration**

#### **Construction of the Swimming Pool of the Albert Pieris Stadium, Wennappuwa**

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Without being studied on the standard depth of the swimming pools, soil had been removed up to the depth of 1.7 meters. Subsequently, in order to reduce the above depth up to 1.35 meters according to the proposals of the swimming coaches, a sum of Rs.3,242,716 of the Sabha funds had been spent for refilling it with soil.

### **3.6 Solid Waste Management**

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The following matters were observed.

- (i) According to the solid waste management plan prepared for the year under review, 10 activities valued at Rs.325,000 had not been implemented.
- (ii) The collection of wastes had been confined to 05 areas of authorities and despite the existence of 02 hospitals and a large number of factories within the area of authority of the Sabha, collection of wastes of the above places had not been carried out.

## **04. Accountability and Good Governance**

### **4.1 Budgetary Control**

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The following matters were observed.

- (a) In the Budget for the year under review, the estimated allocations relating to a number of Objects had been entirely saved and the provisions amounting to Rs.4,150,000 made for 32 Objects for the welfare activities of the people in the area of authority had been either saved or transferred to another Objects and as such, any relevant work had not been done.
- (b) Out of Rs.85,900,000 allocated for the capital expenditure a sum of Rs.59,420,000 had been saved and it represented 70 per cent of that total provision.

#### **4.2 Annual Procurement Plan**

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An Annual Procurement Plan had not been prepared as required by Guideline 4.21 of the Government Procurement Guidelines.

#### **4.3 Internal Audit**

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An internal audit examination had not been carried out on the financial and operational activities.

#### **4.4 Unresolved and Unanswered Audit Queries**

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Measures had not been taken relating to the following losses identified in the preceding year even in the year under review.

- i Misplacement of the concrete mixture valued at Rs.156,550 of the Sabha.
- ii The loss of Rs.225,000 incurred due to vesting the assets of the Sabha to the external parties, free of charge.
- iii Misplaced 161 Galvanize tubes valued at Rs.177,100.

#### **05. Systems and Controls**

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Special attention is drawn on the following weaknesses of systems and controls.

<b>Areas of System and Controls</b>	<b>Observations</b>
(a) Fixed Assets	Relevant Registers of Fixed Assets including lands and building had not been maintained in and updated manner.
(b) Stock Control	When the balances of the stock ledger were brought to accounts, omissions had taken place.
(c) Creditors	Registers had not been maintained in a manner able to identify the sundry creditors and other liabilities.
(d) Contract Administration	A large number of targeted contracts had not been carried out.
(e) Preparation of Budget	Many public welfare activities and the capital constructions for the year under review had not been carried out and

provisions had been unnecessarily obtained.

(f) Accounting

It was observed that the timely preparation of reports of the Pradeshiya Sabha which are prepared according to the Rules of the Pradeshiya Sabha, their examination, supervision and reference of the correct reports to the Accounts Divisions had not been carried out.

(g) Waste Management

The wastes disposed of by the hospitals and the factories situated in the area of authority of the Sabha and the wastes collected in 07 zones of the area had been daily disposed of to the open environment.