

Wennappuwa Pradeshiya Sabha

Puttlam District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 31 July 2014 and the financial statements for the preceding year had been presented on 22 May 2013. The report of Auditor General for the year under review was sent to the Chairman of the Sabha on 11 December 2014.

1.2 Opinion

Except for the effects on the financial statements of the matters referred to in Paragraph 1.3 of this report, 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 Wennappuwa Pradeshiya Sabha as at 31 December 2013 and the financial results of its operations and cash flows for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Unreconciled Control Accounts

According to the financial statements, the total of the sundry deposits account and the employees loans account was Rs.63,026,720 and the total according to the subsidiary registers was Rs.34,163,741. Therefore, an unreconciled difference of Rs.28,862,979 was observed.

1.3.2 Suspense Account

Action had not been taken to settle or explain the suspense balance of Rs.384,122 included in the Bank Reconciliation Statement for December 2013 in respect of current account No.0001865986 maintain at the Bank of Ceylon- Wennappuwa Branch by the Sabha.

1.3.3 Lack of Evidence for Audit

Transactions totaling Rs.188,259,239 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

2. Financial and Operating 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 2013 amounted to Rs.26,359,024 as compared with the excess of revenue over recurrent expenditure amounting to Rs.42,600,136 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue, actual revenue and arrears of revenue relating to the year under review as presented by the Chairman is shown below.

	Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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		Rs.'000	Rs.' 000	Rs. '000
(i)	Rates and Taxes	9,250	7,988	5,729
(ii)	Lease Rent	29,515	29,336	2,251
(iii)	Licence Fees	4,004	4,004	8,410
(iv)	Other Revenue	5,940	11,935	1,753

2.2.2 Rates and Taxes

The progress of recovery of rates and taxes during the year under review was 86% and rates and taxes in arrears as at end of the year had been relatively increased than the previous year. Dankotuwa and Kammalpattuwa Sub-offices had billed rates and taxes less by Rs.270,543 as compared with the preceding year.

2.2.3 Lease of Property

- (a.) The Commissioner of Local Government had given his approval to lease again the property for which quotations had not been submitted while leasing out the property of the Sabha during the year under review at 25% less than the minimum bid. However, action had not been taken to lease the said property. Therefore, the revenue deprived of by the Sabha amounted to Rs.1,694,265.
- (b.) The upper floor of the Wennappuwa Trade Complex that is 4,440 square feet in extent had been given to trade societies since two years without being leased and as such the Sabha fund had lost the revenue which could have been earned.

2.2.4 Court Fines and Stamp Fees

Money receivable as at 31 December 2013 from the Chief Secretary of the Provincial Council is shown below.

	Rs.
(i.) Court Fines	6,491,943
(ii.) Stamp Fees	153,906,250

2.3 Surcharges

Surcharges amounting to Rs.326,335 levied by me against the persons responsible in terms of the Pradeshiya Sabha Act No.15 of 1987 had been recoverable as at 31 December 2013. Further, it is expected to process charges in respect of a sum of Rs.340,423.

3. Operating Review

3.1 Idle and Underutilized Physical Resources

The following matters were observed at sample audit cheques.

- (a.) The value of the vehicle (Heeno) bearing No.28-2537 donated by the North Western Provincial Council had not been assessed and it had been parked idle in the Wennappuwa Courts premises since 1997 in an unusable condition.
- (b.) The JCB Machine valued at Rs.2,490,000 handed over to a private institution for repairs prior to a few years had not been returned.

3.2 Contracts Administration

The following observations are made.

- (a.) Action had not been taken to remove or reduce the health laboureres before implementing the waste disposal on contract basis and 136 persons had been recruited for the minor staff as at end of the year 2012 in excess of the approved cadre. It was observed that the above staff is being idling or underutilized due to the disposal of waste on contract basis and the Sabha had not paid attention to dispose of waste on direct labour basis. Further, the Sabha had to suffer a loss of Rs.1,134,586 due to providing fuel contrary to the agreement entered into with the contractor.
- (b.) The Sabha fund had to suffer a loss of Rs.26,820 due to making payments in excess of the approved prices of the Provincial Price Committee in respect of materials purchased for laying concrete for the Centre Road of the New Colony, Keranwatta and the Galawatta Road of Theenagara, Boralessa under direct labour method during the year under review.

- (c.) Charges for delay amounting to Rs.42,856 had not been recovered in respect of delay in carrying out 06 works entrusted to contractors.
- (d.) Tarring of Haldaduwana- Ginigalpala Road had been entrusted to an outside contractor and the Sabha had to suffer a loss of Rs.17,930 as the work had not been completed up to the required length and width.

3.3 Operating Inefficiencies

The following observations are made.

- (a.) Money regarding to 02 dishonoured cheques valued at Rs.42,300 as at 31 December 2013 had not been recovered.
- (b.) Blocks of lands vested with the Sabha for common utilities at the sale of block-out lands had not been surveyed and ensured the ownership and safety.

4. 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.) Contract Administration
- (e.) Control over Debtors and Creditors
- (f.) Assets Management
- (g.) Employees Loans