

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 for audit on 10 April 2015 and the financial statements for the preceding year had been presented on 31 July 2014. The report of the Auditor General for the year under review was issued to the Secretary of the Sabha on 28 July 2015.

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 2014 and the financial result of its operations for the year then ended.

1.3. Comments on Financial Statements

1.3.1. Decrease in Net Assets

The net assets of the Sabha at the end of the year under review had been Rs.266,941,401, whilst the net assets at the beginning of the year under review had been Rs.270,347,907. Therefore the net assets of the Sabha had been reduced in the year by Rs.3,406,506.

1.3.2. Accounting Deficiencies

The following are observed.

- (a) The value of Wennappuwa Bus Stand constructed incurring a cost of Rs.22,312,812 and the land named Kirimatiyana Watta valued at Rs.10,167,200, allocated for common amenities, had not been brought to account under fixed assets.

- (b) The contribution payable for the Local Government Employees Pension Fund amounting to Rs.7,334,419 had been omitted from the creditors and the accumulated fund account. The stamp fees receivable for the period from 2011 to 2013 amounting to Rs.16,429,140, had been omitted from stamp fees receivable account and the accumulated fund account.
- (c) Though the capital aid relevant to the year under review was Rs.92,900,035, it had been indicated in the accounts as Rs.79,324,995. Therefore the capital aid account and capital aid receivable account had been understated by Rs.13,575,040.
- (d) A sum of Rs.740,000, which had been brought to account as creditors and capital expenditure in the year 2013, had been brought to account further as capital expenditure, when settling this in the year 2014. Therefore the creditors and the capital expenditure had been overstated by Rs.740,000 in the year under review.
- (e) A backhoe loader costing Rs.2,490,000 accounted under machinery had been sold in the year under review, and during the writing-off process, this value had been debited to the motor car and cart account again. Therefore the plant and machinery account had been overstated by Rs.2,490,000, whilst the revenue contribution to capital outlay account had also been understated by a similar amount.
- (f) The value of misplaced concrete mixing machine valued at Rs.156,550 had been shown as fixed assets, whilst 600 waste-bins amounting to Rs.770,240 received by the environment unit of the Sabha in the years 2012 and 2013, had also been brought to account as fixed assets.

1.3.3. Un-reconciled Control Accounts

The value of balances relevant to 03 items of account in the financial statements differed from the relevant subsidiary registers and the value of this un-reconciled difference amounted to Rs.26,473,320.

1.3.4. Suspense Accounts

The bank reconciliation of December 2014 relevant to the current account number 0001865986 in the Wennappuwa Branch of Bank of Ceylon had revealed a suspense account

amounting to Rs.384.602, and action had not been taken either to settle this suspense account or submit a clarification about it.

1.3.5. Lack of Evidence for Audit

A sum of Rs.195,251,700 relevant to 03 items of accounts presented in financial statements, could not be examined satisfactorily, due to non-submission of sufficient evidence for the audit.

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 2014 amounted to Rs.38,599,107, as compared with the excess of revenue over recurrent expenditure amounting Rs.26,359,024 for the preceding year. In the year under review and in the preceding year; the capital aid had been Rs.80,436,306 and Rs.17,675,347 respectively; and capital expenditure had been Rs.118,490,311 and Rs.39,876,108; respectively, and when these amounts are considered, the surplus in the year under review had been Rs.545,122, whilst the surplus in the preceding year had been Rs.4,158,283. Accordingly, in comparison to the preceding year, the financial result during the year under review had been a deteriorated by Rs.3,613,161.

2.2. Revenue Administration

2.2.1. Estimated Revenue, Actual Revenue and Revenue in Arrears

According to the information submitted on revenue in arrears relevant to the year under review, the accumulated arrears at the end of the year under review had been; Rs.5.9 million for rates and taxes; Rs.1.98 million for lease rent; and Rs.2.4 million for other income.

2.2.2. Rates and Taxes

a) In comparison to the preceding year, the rates and taxes in arrears recoverable during the year under review had been increased by Rs.194,321. The overall reduction in billing of rates and taxes during the year under review had been Rs.223,179.

- b) Action had not been taken to identify the new rates and taxes units in developed villages areas without delay and collect the taxes, as stipulated in the Gazette Extra Ordinary Notification No. 1574 dated 25 September 2009.

2.2.3. Leasing of Properties

Out of 84 leasing properties owned by the Sabha, 23 properties had not been leased-out, and if the minimum bid amount was taken as the basis, the loss of revenue incurred by the Sabha would have been Rs.1,880,457. Similarly, in comparison to the preceding year, the Sabha had been deprived of lease rent amounting to Rs.4,461,876.

2.2.4. Court Fines and Stamp Fees

The court fines amounting to Rs.9,220,635 and stamp fees amounting to Rs.94,139,463 had been receivable from the Chief Secretary of North-Western Province, as at the end of the year under review.

2.2.5. Surcharges

- a) The Auditor General had imposed surcharges as stipulated in Section 172 (3) of the Pradeshiya Sabha Act No. 15 of 1987, and the relevant surcharges receivable as at 31 December 2009, from persons responsible amounted to Rs.326,335.
- b) The surcharges by the Auditor General will be imposed in due cause in respect of the surcharges amounted to Rs.340,423 paid for delays in making contribution to the Employees' Pension Fund.

3. Operating Review

3.1. Management Inefficiencies

The following are observed.

- a) According to the bank reconciliation statements as at 31 December 2014 relevant to, the current account number 0001865986 and the current account number 0001865988 in the Wennappuwa Branch of Bank of Ceylon, there had been dishonoured cheques amounting to

Rs.33,955 and Rs.8,345 respectively, and action had not been taken to recover the relevant amounts.

- (a) The upper floor of the Wennappuwa Trade Complex consisting an area of 4440 square feet, had been given to trade associations and other organisations, over a period of 03 years, without leasing-out. Due the handing over of assets owned by the Sabha to external parties free of charge, the Sabha fund had been deprived of revenue which would have been earned otherwise.

4. Systems and Controls

Special of 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) Debtors and Creditors Control
- f) Assets Management