

**WennappuwaPradeshiyaSabaha
Puttlam District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial Statements for the year under review had been presented for Audit in 31 March 2016 and the financial statements for the preceding year had been presented on 10 April 2015. The report of the Auditor General for the year under review was issued to the Secretary of the Sabha on 07 July 2016.

1.2 Qualified Opinion

Except for the effects on the financial statements of the matters referred to in Paragraph 1.3 of this reports, 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 2015.

1.3 Comments on Financial Statements

1.3.1 Accounting Policies

Although value of usable lands and buildings should be revalued, lands and buildings valued at Rs.179,733,440 had not been revalued. Although capitalized value of lands amounting to Rs.40,408,512 and value of deeds of gift had been shown. They too had not been revalued.

1.3.2 Accounting Deficiencies

The following observations are made:

- (a) While a sum of Rs.636,898 payable to the Commissioner General of Inland Revenue as Value Added Tax at the end of the year under review had been brought to account under creditor, false asset of Rs.3,399,994 had been brought to account as Value Added Tax under debtors too.
- (b) Although a sum of Rs.156,550 being the value of Concrete Mixture that had been lost had been deleted from Asset Accounts as losses, adjustment had not been made from revenue to capital outlay.
- (c) The value of 600 galvanized pipes received during the preceding year amounted to Rs.660,000 of which Rs.177,100 being the value of 161 pipes had been brought to loss and damage account. Although Rs.482,900 being the value of the remaining pipes should have been brought to account under fixed assets, total value had been transferred to general store account.

1.3.3 Unreconciled Control Account

- (a) Unreconciliations of Rs.14,501,118 were observed between balances as per schedules presented relating to 06 items of accounts and balances as per financial statements.
- (b) Unreconciles of Rs.5,726,022 was observed between balances as per supportive documents relating to lease rent and stall rents of sub office, Wennappuwa and balances as per financial statements.

1.3.4 Suspense Account

Action had not been taken to make settlement or submit clarifications on suspense account of Rs.384,602 revealed in bank reconciliations in December 2014 applicable to the current account No.0001865986 being maintained in Bank of Ceylon, Wennappuwa Branch.

1.3.5 Lack of Evidence for Audit

Eleven items of accounts valued at Rs.492,273,413 shown in the financial statements could not be verified satisfactorily due to non-submission of required documents and detailed schedules to audit.

1.3.6 Non-compliance with Laws, Regulations and Management Decisions etc.

Non-compliance with the following laws, regulations and management decisions are observed in audit.

Reference to Laws Regulations and Non-Compliance Management Decisions

- (a) Pradeshiya Sabha Act No.15 of 1987

- (i) Section 136

Although Lessees of all landsand buildings within the area of authority that had been leased or rented out should have paid rates and acreage taxes, action had not been taken as per provisions of the Act in respect of 245 properties owned by the Sabha.

(b) Value Added Tax Act No.14 of
2002 Chapter 03

Section 20

Although tax invoice should have been issued to confirm individuals' registration for tax, the Sabha had in 32 instances during the year had paid a sum of Rs.879,883 as Value Added Tax to contractors without an invoice.

(c) Pradeshiya Sabha Rule (Finance &
Administration) 1988

(i) Rule No.2(1) (c) and No.3

Although the Sabha is responsible for performing duties & functions assigned to the staff efficiently and accurately, physical progress of development programmes 2015 had not been evaluated/computed.

(ii)Rule No.5 (3)

Sufficient internal verification had not been carried out with regard to revenue collection.

(iii)Rule No. 5(6)

Revenue and other charges recoverable to the Pradeshiya Sabha had not been collected by the relevant officers during the specified period.

(iv)Rule No. 10(2)

The Sabha had failed in its responsibility for fixing target dates for launching each project for adhering to the implementation of the same in keeping with target dates.

(v)Rule No. 10(8)

Although action should have been taken to ensure the safety of all assets of the Sabha, Concrete Mixture, Heeno Motor vehicle and Time Punching Machine had been lost.

(v)Rule No.59

The Sabha had failed to conduct a survey and prepared a list on industries being operated within the area of authority at the beginning of every year itself where as it should have been submitted on or before 31 March.

(vi)Rule No. 218

A Board of Survey had not been appointed to verify all lands& buildings of the Sabha once a year.

(d) Public Administration Circulars

Paragraph 7 of the circular
No.2015/11 dated 20 May 2015

Although the Sabha had spent Rs.607,400 on uniforms for the year 2015 at the varification carried out on 5 April 2016 it was observed that any officer or employee was not wearing uniform.

2. Financial Review

2.1 Financial Result

According to financial statements presented, the excess of recurrent expenditure over revenue of the Council for the year ended 31 December 2015 amounted to Rs.37,799,622 as compared with the excess of the recurrent expenditure over income for the proceeding year amounted to Rs. 38,599,107. Following the computation of capital revenue of the year under review and preceding year that had been amounted to Rs.26,389,584 and Rs.80,436,306 and the capital expenditure amounted to Rs.48,771,228 and Rs.118,490,311 respectively, the excess of the same has been Rs.15,417,979 and Rs.545,102 respectively. Accordingly an increase of Rs.14,872,877 is indicated in the financial result of the year under review.

2.2 Analytical Financial Review

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- (a) The total operating revenue of the Sabha during the year under review amounted to Rs.226 mn. and when compared with the total operating revenue of Rs.193 mn. of the preceding year it had been Rs.33 mn. increase.
 - (b) Capital expenditure of the year under review amounted to Rs.48 mn. and when compared with the capital expenditure of Rs.118 mn. of the preceding year, it had been Rs.70 mn decrease.
 - (c) In view of the above the excess for the year amounted to Rs.15 mn. and when compared with the excess of Rs.0.5 mn. of the preceding year it represented Rs.14.5 mn increase of the financial result.

2.3 Revenue Administration

Information on Billing of Revenue, Collecting of Revenue an Arrears of Revenue during the year under review.

Item of Income	Billing of Revenue			Collecting of Revenue			Revenue in Arrears			
	Arrears as at 01.01.2015	Billing of revenue in 2015	Total	Collected amount from arrears	Amount collected through billing	Total amount received for next year	Total amount collected	Balance from arrears	Arrears of billed revenue	Total
	.Rs	.Rs	.Rs	.Rs	.Rs	.Rs	.Rs	.Rs	.Rs	.Rs
Rates				-						
Taxes&	5,636,264	9,084,081	14,720,345	1,819,128	6,999,637	1,352,811	10,171,576	3,817,136	2,084,444	5,901,580
Acre Tax	304,556	14,724	319,280	27,899	6,096	1,2777	35,272	276,657	8,628	285,285
Water Tax	3,446		3,446		34,775		34,775	3,446	34,775	38,221
Shop Rent	2,371,207	6,194,269	8,565,476	1,578,348	4,294,104	121,635	5,994,088	792,858	1,900,164	2,693,022
Lease Rent	1,978,367	25,315,540	27,293,907	185,421	25,119,217	1,951,851	27,256,489	1,792,946	196,322	1,989,268
Licence Fee	10	1,966,550	1,966,560		1,966,550		1,966,550	10		10
Other	119,826,014	188,021,195	307,847,209	1,809,319	62,920,510	-	64,729,829	118,016,695	125,100,684	243,117,379

2.3.1 Estimated Revenue, Actual Revenue and Revenue in arrears

Information relating to estimated revenue, actual revenue and revenue in arrears submitted for the year under review and the preceding year.

Item of Revenue	2015			2014		
	Budgeted	Actual Receipts	Accumulated arrears as at December 31	Budgeted	Actual receipts	Accumulated arrears as at December 31
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Rates	9,645	9,082	5,736	9,727	8,816	5,941
Taxes Lease & Rent	35,786	25,340	1,958	47,515	24,874	1,978
Licence fee	4,606	1,956	-	7,908	3,922	-
Other revenue	64,067	182,304	125,543	7,430	5,622	2,381

2.3.2 Rates & Taxes

The following matters are observed.

- 65% of the rates and taxes recoverable during the year under review had been recovered while the rates and taxes in arrears at the end of the year had been increased by Rs.267,919 in comparison with the preceding year. Furthermore an overall decrease of Rs.32,973 demonstrated in the billing of rates and taxes while billing of rates and taxes in 02 sub offices had been done less by Rs.33,797.
- In terms of Section 143 of the Pradelshiya Sabha Act No.15 of 1987 all lands and building within the area of authority of the Sabha has to be assessed once in every 05 years. However the existing rate assessment has exceeded 07 years
- As per provisions under Section 143(1) (2) a new assessment has to be done on buildings to be constructed following a rate assessment and rates and taxes should be recovered accordingly. Whereas 72 Certificates of Conformity had been issued only one unit was added in 2015.
- As stipulated under Section 158(1) of the Pradeshiya Sabha Act No.15 of 1987, the Secretary of the Sabha had not issued licence to Rate Collectors to forfeit and sale movable and immovable properties in the recovery of rates and taxes in arrears.
- Subject clerk (Rates & Taxes) had not prepared and submitted to the Secretary of the Sabha a list of persons evading the payment of rates and taxes and property forfeiting warrants at the end of each quarter.

2.3.3 Leasing Out of Property

- (a) Out of the lease property of 73 owned by the Sabha during the year under review 19 had not been leased out. Accordingly the lost revenue based on the lowest bid value amounted to Rs.9,988,102.
- (b) If the amount recoverable as lease rent from a property leased out by the Pradeshiya Sabha in terms of provisions under Section 159 (1) of the Pradeshiya Sabha Act No.15 of 1987 did not pay within 14 days from the date of recovery, the Sabha should have taken action to recover that amount/fee by forfeiting and selling out of all those immovable and movable properties owned by that Lessee. However it was observed that such action had not been taken.

2.3.4 Other Revenue

- (a) The Sabha had not taken action to recover three wheel park registration fees from parks in Wennappuwa and Dankotuwa and bus stand fees from Wennappuwa bus stand.
- (b) In terms of provisions under Section 154 (1) of the Pradeshiya Sabha Act No.15 of 1987, the Pradeshiya Sabha should recover 1% of the land sale precedes within the area of authority in 2015. However only 1% of the estimated sales had been recovered.
- (c) At the sample testing carried out on 13 January 2016 a large number of authority of the Sabha were observed. However fees for 2015 had been paid only in respect of 13 notice boards.
- (d) Action had not been taken as per provisions under the Act to recover revenue from the followings located within the area of authority.
 - i. Retail daily fish stalls in Ulhitiyawa.
 - ii. Recovery of fees from 14 mobile telephone towers located in the area.
 - iii. Recovery of fees from hiringvehicle parks in the area.

2.3.5 Licence Fees

Although licence fees should be recovered based on the annual value of the business as pers Section 149 of the Pradeshiya Sabha Act No.15 of 1987 from 04 of 10 business establishments located within the area of authority and registered with the Sri Lanka Tourism Development Authority those licence fees had not been paid. Due to non recovery and non remitting of Value Added Tax, Nation Building Tax and Stamp fees from those institutions, tax value lost to the government amounted to Rs.244,780 in 2014 and Rs.214,648 in 2015.

2.3.6 Court Fines

The value of court fines recoverable from the chief Secretary, North-Western Province during the year under review amounted to Rs.5,693,259.

2.3.7 Stamp Fees

The value of the Stamp fees recoverable from the Chief Secretary, North Western Province during the year under review amounted to Rs.16,301,623.

2.4 Surcharges

The value of surcharges recoverable as at 31 December 2009 based on surcharges enforced by the Auditor General against responsible persons as per provisions under section 172(3) of the Pradeshiya Sabha Act No.15 of 1987 amounted to Rs.326,335.

3 Structure of Expenditure

Information on budgeted and the actual expenditure along with the relevant variance of the year under review in comparison to the previous year are given below.

Item of Expndie.	<u>2015</u>			<u>2014</u>		
	Budgeted Expndie.	Actual Expndie.	Variance	Budgeted Expndie.	Actual Expndie.	Variance
-----	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Personal						
Emolument	88,418	113,472	(25,054)	65,081	74,392	(9,311)
Other	89,218	74,036	15,182	103,232	80,606	22,626
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Sub total	167,636	187,508	(9,872)	168,313	154,998	13,315
Capital Expenditure	95,300	48,006	47,294	47,791	118,490	(70,699)
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	272,936	235,514	37,422	216,104	273,488	(57,384)
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4 Operating Review

4.1 Management Inefficiencies

The following observations are made.

- (a) Action had not been taken to recover the amount of dishonoured cheques to the value of Rs.33,955 being brought forward from May 2013 as per Bank Reconciliation Statement of the current account No.0001865986 being maintained at Bank of Ceylon, Wennappuwa Branch.
- (b) Action had not been taken to ensure early identification of rate and tax units in developed rural areas as per instructions issued through Gazette Extra ordinary No.1574 dated 25 September 2009.
- (c) The Sabha had not taken to transfer the land block 52.4 perches in extent receivable as common amenities for Kahatagahawila Makullagahawatta or Kajugahawatta out of the land blocks auctioned during the year under review.

4.2 Identified Losses

The following observations are made:

- (a) Although the Concrete Mixture of the Sabha valued at Rs.156,550 was lost, action had not been taken to define the responsibility and recover the loss from those responsible persons.
- (b) 4440 sq. ft. up stair of the trade complex of Wennappuwa had been given to trade associations and other organizations for over 03 years without any revenue. Accordingly due to transfer of assets owned by the Sabha to outside parties without any revenue the Sabha had incurred loss amounting to Rs.255,000.
- (c) 161 galvanized pipes received from the Ministry of Provincial Councils and Local Government had been lost, the value of which amounted to Rs.177,100.

5 Accountability and Good Governance

5.1 Internal Auditing

Sufficient internal auditing had not been carried out within the institution.

5.2 Action Plan

Although an annual action plan which includes activities aimed at achieving objectives of the relevant Act with long - term vision as stipulated under sections from 04(a) to (f) of the Public Finance Circular No.PFD/RED/01/04/2014/01 of 17 February 2014 had to be formulated, an action plan different from that had been prepared.

5.3 Asset Management

5.3.1 Idle and Under Utilized Assets

Water Bouser No.WPLL – 7703 – FOTON received in June 2015 from the Ministry of Provincial Councils and Local Government had been parked without putting into any useful purpose by 08 February 2016, date of audit. In an instance where providing water to residents in the area of authority, Wennappuwa Pradeshiya Sabha was not necessary, it had been kept idle without giving the same to other place in need.

5.3.2 Assets not Board of Surveyed

Action had not been taken to secure the ownership of land blocks made available to the Sabha at blocking out and selling of lands through a Board of Survey.

5.4 Human Resources Management

Approved and Actual Cadre

Information relating to approved and actual cadre of the Sabha as at 31st December 2015 are given below:

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
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Executive Level	05	04	01	-
Secondary Level	64	60	04	
Primary Level	<u>110</u>	<u>188</u>	<u>78</u>	
	179	252	05	78
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The following matters are observed:

- (a) The post of Technical Officer (Special Grade) which being executive grade post had been vacant over a number of years.
- (b) One person for not approved post in secondary grade and 64 persons for 05 not approved post in primary grade had been recruited. However, action had not been taken to get those post approved.

6 Systems & Controls

- (a) Accounting
- (b) Budget Controlling
- (c) Revenue Administration
- (d) Contract Administration
- (e) Debtors & Creditors Control
- (f) Assets Management
- (g) Employee Loan Management