

Warakapola Pradeshiya Sabha

Kegalle District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 30 March 2017 and the financial statements for the preceding year had been presented on 31 March 2016. The report of the Auditor General for the year under review had been presented to the Secretary of the Sabha on 30 June 2017.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in Paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Warakapola Pradeshiya Sabha as at 31 December 2016 and its financial performance and cash flows 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) The following deficiencies observed in the preceding year had not been rectified.
 - (i) Decrease of the value of the assets due to closing stock of the carbonic fertilizer remained as at the end of the year 2015 amounting to Rs.46,350 was not brought to account under the closing stock.
 - (ii) Not assessed the value of 16 blocks of land of 06 acres and 14 perches included in the Register of Fixed Assets and brought to account.
- (b) A sum of Rs.641,230 received in respect of 03 items of revenue in the year under review had been brought to account as receipts in advance and as such the revenue for the year had been understated and the liabilities at the end of the year had been overstated by a similar amount.
- (c) The value of 453 finished works amounting to Rs.111,839,912 as at 31 December 2016 had not been brought to account under Capital Grants and as such capital receipts and expenditure in the year had been understated by a similar amount.

- (d) Even though, a sum of Rs.42,530,107 had to be receivable and payable for works as at 31 December 2016, that value had not been shown under debtors and creditors.
- (e) Even though, the payable balance for the loans obtained from Local Loans Development Fund for the construction of Health building belonging to the Sabha and for the purchasing of Backhoe Machine amounted to Rs.17,799,311, that balance had been brought to account as Rs.12,216,234 in the financial statements.
- (f) The capital assets relating to the unserviceable articles amounting to Rs.5,600 which sold out by an auction as unserviceable articles as recommended by the Boards of Survey for the year under review had not been identified and eliminated from the related assets accounts and from Revenue Contribution to Capital Outlay Account.

1.3.2 Unreconciled Control Accounts

According to the financial statements presented as at end of the year under review, the balances of 13 items of accounts aggregated Rs.155,830,743 whereas the balances according to the related subsidiary register/ reports aggregated Rs.191,066,808 thus resulting a difference of Rs.35,236,065.

1.3.3 Accounts Receivable and Payable

The following matters were observed.

- (a) The revenue debtor balances exceeded over one year as at 31 December 2016 amounted to Rs.14,114,882.
- (b) The creditor balances exceeded over one year as at 31 December 2016 amounted to Rs.19,791,172.

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

The following non-compliances with laws, rules, regulations and management decisions were observed in audit.

Reference to Laws, Rules, Regulations and Management Decisions

Non-compliance

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

Section 158 (1)(a)

When Rates or Acreage Tax were not paid the money should be recovered from selling the

properties by a restraining order. Nevertheless, action had not been taken to recover the arrears of rates amounting to Rs.8,936,095 from 7,170 assessment units of 5 Divisions of assessments as at 31 December 2016.

(b) 1988 Pradeshiya Sabha (Finance and Administration) Rules 33

A list of persons who defrauded payments and a restraining warrant of properties had not been prepared at the end of each quarter and had not been presented for the signature of the Chairman/Competent Authority.

(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

(i) F.R. 139

The payment had been made for 4 vouchers totalled Rs.167,600 without stamped the "PAID" seal on the face of the voucher.

(ii) F.R. 396 (d)

Action in terms of Financial Regulation had not been taken on 15 vouchers issued but not presented for payment amounted to Rs.26,830.

(iii) F.R. 571 (2)

Action in terms of Regulations had not been taken on lapsed deposits amounting to Rs.750,155 older than 2 years.

(d) Sections 1.6 and 4 of Chapter XXIV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka.

Staff loans amounting to Rs.279,440 recoverable during the period from the year 1998 up to 2015 had not been recovered from 12 officers consisting of 04 officers who transferred out on station transfer, 03 officers retired, 04 officers who vacated of posts and one officer for whom without identifying the reason for non-recovery of loan.

(e) Section 2 of the Public Administration Circular No.25/2014 of 29 December 2014 of the Secretary to the Ministry of Public Administration and Home Affairs.

The permanent appointments should be given for the employees who had completed a continuous satisfactory service of 180 days as at 24 October 2014. However, the permanent appointments had been given for 2 employees who had not worked even one day and for one employee who had worked for 20 days only during the period from 01 January 2014 to 24 October 2014.

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 amounted to Rs.23,527,420 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.10,422,545 indicating an improvement of financial results of the year under review amounting to Rs.13,104,875.

2.2 Analytical Financial Review

The increase in 4 items of revenue and the decrease in 4 items of expenditure had mainly attributed to the improvement in financial results by Rs.13,104,875.

2.3 Revenue Administration

2.3.1 Performance in Collection of Revenue

The information relating to revenue billed, actual revenue and the arrears of revenue, as presented for the year under review appears below.

		Arrears as at 31 December 2016						
Source of Revenue	Arrears as at 01.01.2016	Recoveries out of the arrears as at 31.12.2016	Amount billed for 2016	Recoveries out of the amount billed for the year	Arrears as at 01.01.2016	Arrears out of the amount billed for the year	Total Arrears	
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	
(i) Rates and Taxes	9,054	3,108	6,377	4,152	5,946	2,225	8,171	
(ii) Lease Rent	828	828	4,087	3,152	-	936	936	
(iii) Licence Fees								
(iv) Other Revenue	22,751	18,613	75,844	47,661	4,138	28,183	32,321	
Total	32,633	22,549	86,308	54,965	10,084	31,344	41,428	

2.3.2 Rates and Taxes

The following matters were observed.

- (a) Even though, the rates and taxes should be assessed once in 5 years, the rates and taxes for the year under review too had been recovered on the basis of assessment made in 2008.
- (b) Action had not been taken to identify periodically, the new developed areas in the authoritative area of the Pradeshiya Sabha and to publish in the Gazette properly and to recover the rates.
- (c) An arrears of Rs.430,430 had remained recoverable from 559 units of Acreage Tax in the area of the Warakapola Pradeshiya Sabha as at 31 December 2016 and Rs.393,474 out of that, had been older than one year.

2.3.3 Entertainment Tax

The following matters were observed.

- (a) In terms of the powers vested in Sub-section (1) of Section 2 of the Entertainment Tax Ordinance, it was confirmed at the Annual General Meeting held on 28 July 2015 to recover entertainment tax of 25 per cent from the admission tickets issued for shows and 7.5 per cent from the admission tickets issued for Cinema Halls. Even though, the Revenue officers should present a daily report in respect of the tickets sold in the Cinema Halls, action had not been taken accordingly. Entertainment tax totalling Rs.178,201 receivable from 2 Cinema Halls by 10 November 2016 had not been recovered.
- (b) The tickets which sealed by the Sabha, only should have been issued to the Cinema Halls and 7.5 per cent of entertainment tax for tickets should be recovered accordingly. Instead of that, the entertainment tax of 7.5 per cent had been recovered according to the details of tickets sold presented by the owners of the Cinema Halls and as such it was not confirmed that the total entertainment tax recoverable for the Sabha had been recovered.

2.3.4 License Fees

The following matters were observed.

- (a) In terms of the Section 156 (1) of the Pradeshiya Sabha Act No.15 of 1987, a survey had not been carried out within the authoritative area of the Pradeshiya Sabha at the commencement of each year and prepared a list in respect of the industries.

- (b) Even though, the applications for business tax, trading licenses should be recorded in a Register, action had not been taken accordingly. Even though 629 applications had been received for the year, 402 licenses only had been issued.
- (c) Trading licenses had not been obtained for the 09 institutions for which environment licenses were issued during the year under review.
- (d) Trading licenses had been issued for 8 businesses of which could not be maintained without environment licenses.
- (e) Even though, 01 per cent of tax should be paid on the revenue of the previous year of the hotels registered under the Act, of the Tourist Board the tax had been recovered on the basis of the records of receipts presented by the hotels without being presented the audited financial statements. In addition to that, an annual survey had not been carried out to identify the number of hotels approved by the Tourist Board existing in the authoritative area.

2.3.5 Other Revenue

(a) Garbage Tax

The following matters were observed.

- (i) Action had not been taken to make a survey on the industries and businesses in the authoritative area from which could be recoverable garbage tax and to increase the garbage tax revenue.
- (ii) A sum of Rs.186,000 had been in arrears by November 2016 from 4 institutions from which recovered garbage tax and the period of outstanding had ranged from 12 months to 38 months.

(b) Arrears of Trade Stall Rent

The following matters were observed.

- (i) There was a delay in payment of rental for trade stalls belonging to the Sabha and the rental and penalty amounting to Rs.67,816 for the period of April to November 2016 in respect of the pork stall had not been recovered.
- (ii) The charges for water amounting to Rs.21,842 had remained in arrears in respect of common water supply of the Central Trade Complex up to 03 September 2016 and not providing separate connections for meat stalls, fish stalls and offices of the Medical Health Officers etc. had been the reason for this.

(c) Vehicle Parking Charges

According to the by - law enacted in the year 2008, the charges for vehicle parking had not been recovered and parking charges for Three Wheelers had only been recovered. Action had not been taken to compute the parks for vehicles, and the number of vehicles registered and to recover the charges duly and as such an income should have been recovered by the Sabha had been deprived.

(d) Advertisement Hoarding Charges

In the survey carried out by the Sabha in June 2016, it was identified that a sum of Rs.189,000 to be recovered for 54 permanently fixed advertisement hoardings had not been recovered even by 18 April 2017.

2.3.6 Court Fines and Stamp Fees

Court fines and stamp fees recoverable as at 31 December 2016 amounted to Rs.5,776,338 and Rs.17,846,554 respectively.

3. Operating Review

3.1 Performance

The following matters were observed.

- (a) According to the agreement signed dated 06 February 2015, it was agreed to reconstruct the damages occur to Nelumpokunagama Road which is the Pradeshiya Sabha Road in transport of soil cut from the Monroviyawatta land in the Thulhiriya Grama Seva Division. Nevertheless, action had not been taken to reconstruct the road according to the estimate amounting to Rs.1,300,000 prepared by the Technical Officer of the Sabha on 31 August 2016.
- (b) Twenty six works amounting to Rs.10,700,301 for which provisions made by the Central Government and the Provincial Council had not been executed even by 31 December 2016.
- (c) Seven works amounting to Rs.2,100,000 for which provisions made by the Sabha had not been executed in the year under review.

3.2 Management Inefficiencies

The following matters were observed.

- (a) Water consumption charges amounting to Rs.62,893 in respect of the period ranging from 03 months to 09 months had not been recovered from 29 consumers in the Mahena Water Supply Scheme maintained by the Sabha.
- (b) Action had not been taken to recover the payments of surcharges to the Employees Provident Fund from the officers responsible amounting to Rs.11,410 paid in the year under review due to negligence of the officers.
- (c) Even though, a revenue estimate amounting to Rs.117,000 had been made in the year under review for 05 cemeteries for which earned crop income of Rs.183,370 in the year 2015, no revenue whatsoever had been received. It was observed that the crop of the cemetery is destroying due to non-maintenance of coconut and rubber plantation properly in those cemeteries and the lack of security.

3.3 Solid Waste Management

The composts had been manufactured in the Garbage Recycling Centre situated at Ambepussa which belonging to the Sabha from the year 2013 while the rest of the solid waste of the compost project and the garbage collection within the environment had not been buried or put soil after laying.

4. Accountability and Good Governance

4.1 Budgetary Control

The following matters were observed.

- (a) Hundred per cent of total provisions of Rs.4,760,000 made for 38 Objects and 50 to 99 per cent of total provisions of Rs.5,817,398 made for 26 Objects made in the Budget, presented for the year under review had not been utilized.
- (b) A sum of Rs.9,578,136 had been incurred in excess of the approved estimate relating to 19 Objects.

4.2 Internal Audit

An adequate internal audit had not been carried out in respect of finance and stores in terms of 1988 Pradeshiya Sabha (Finance and Administration) Rules 5 (7).

5. Systems and Controls

Special attention is needed in respect of the following areas of systems and controls.

System -----	Observations -----
(a) Accounting	(i) Had not brought to account of the Compost Stock, Capital Receipts and Expenditure for works. (ii) According to the Accounts and subsidiary registers the balances were not equal.
(b) Internal Control	An adequate internal audit was not carried out.
(c) Arrears of Revenue	Recoverable arrears of rates, court fines, stamp fees and advertisement hoarding charges etc.
(d) Budgetary Control	Hundred per cent of savings of the provisions and the expenditure incurred exceeding the provisions.