

Welimada Pradeshiya Sabha
Badulla District

1. **Financial Statements**

1.1 **Presentation of Financial Statements**

Financial Statements for the year 2016 had been submitted to the Audit on 31 March 2017 while the Financial Statements relating to the preceding year had been submitted on 31 March 2016. The report of the Auditor General relating to the year 2016 was issued to the Secretary of the Sabha on 30 June 2017.

1.2 **Qualified Opinion**

In my opinion except for the effect 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 Welimada 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 Polices**

Stock valuation policy had not been discloses in the Financial Statements.

1.3.2 **Accounting Deficiencies**

The following deficiencies are observed in audit.

- (a) Creditors relating to works for the year under review had been overstated by Rs.1,004,600.
- (b) Closing stock of stationeries for the year under review amounting to Rs.124,600 had not been accounted for.
- (c) Courts Fine relating to previous year had been overstated by Rs.163,107 in the under review.
- (d) Stamp fees relating to previous year amounting to Rs.1,594,049 had been accounted as income of the year under reveiw.
- (e) Although a sum of Rs.2,198,170 had been shown in the Financial Statement for the year under review as Aurweda Drug Stocks, such stock physically had not been observed.
- (f) The following accounting deficiencies shown in the previous year audit report had not been rectified in the year under review.
 - (i) Understatement of payable to Local Government Pension Fund by Rs.16,055 as at 31 December of the year under allocation for creditors.
 - (ii) Un-inclusive of 13 Library Books purchased for Rs.5,190 in the Assets Accounts and Revenue Contributions to Capital Outlay Account.

1.3.3 Un-reconciled Control Accounts

A difference of Rs.33,000 had been observed between the balance shown in the cash book and the balance of the bank reconciliation statement.

1.3.4 Accounts Receivable and Payable

Accounts receivable balances as at 31 December of the year under review was Rs.30,600,187 while the value of accounts payable balances as at that date had been Rs. 2,327,991.

1.3.5 Lack of Evidence for Audit

Eight items of accounts valued at Rs. 44,128,766 could not be satisfactorily vouched /verified in audit due to non-submission of required information.

1.3.6 Non-compliance with Laws, Rules and Regulations

The following instance of non-compliance with Laws, Rules and Regulations etc. were observed in audit.

Reference to Laws, Rules and Regulations etc.	Non-compliance
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(a) Section 149 of the Pradeshiya Sabha Act No. 15 of 1987	License had not been obtained for vehicle service station.
(b) Stamps Duty Act No 12 of 2006	Stamps duty amounting to Rs.1,400 for the year under review had not been remitted to the Commissioner of Inland Revenue.
(c) Pradeshiya Sabha (Financial Administration) Rules of 1988	
(i) Rule 156	Cash Book together with analytical column had not been prepared.
(ii) Rule 218	Annual Boards of Survey in respect of Land and Building had not carried out.
(d) Financial Regulations of the Government of the Democratic Socialist Republic of Sri Lanka.	
(i) F.R. 371	Advances aggregating Rs. 1,443,191 paid to several parties in 32 instances from the year prior to 2000 had not been settled even up to 31 December 2016.

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| (ii) F.R. 396(d) | Necessary action to recognize as income had not been taken in respect of 04 cheques valued at Rs.2,385 which issued but not debited to account. |
| (iii) F.R. 571 | Action had not been taken to dispose lapsed deposits of Rs. 7,310,970 which remained in the account for more than 02 year. |
| (iv) F.R. 757(2) | Although the stores shortages after identifying them should be recovered from the responsible officers, it had not been recovered accordingly at Keppatiploa Sub-office. |
| (e) Section 1.6 and 4 of Chapter XXIV Establishment Code of the Democratic Socialist Republic of Sri Lanka | Actions had not been taken to recover the staff loans aggregating Rs.95,140. |
| (f) Treasury Circular No. IAI/2002/02 dated 28 December 2002. | A register had not been maintained in respect of 14 Computers and Accessories. |
| (g) Section 2.1 of the Public Administration Circular No.09/2009 of 16 April 2009. | Fingerprint machines had not been used by the Walimada Pradehiya Sabha. |
| (h) Section 2.11 of the Ministry of Public Administration and Internal Affairs Circular No.41/90 of 10 October 1990. | Fuel testing for 11 vehicles belong to Sabha had not been done. |
| (i) Chapter XVIII of Gazette No.1589/30 dated 20 February 2009 of the Secretary to Public Service Commission and paragraph 2.2.2 of Transfer Scheme to the Public Officers in Campaigned Services | In contrary to provisions in the Circulars 05 officers had been attached to the service in the Walimada Pradeshiya Sabha for more than 5 years. |

2. **Financial Review**

2.1 **Financial Results**

According to the financial statements presented, excess revenue over recurrent expenditure of the Sabha for the year ended 31 December 2016 amounted to Rs24,918,028 and the corresponding excess revenue over recurrent expenditure for the preceding year amounted to Rs. 22,651,504.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

- (a) The progress of recovery of arrears income for the previous year's which brought forward as an opening balance for the year under review was less than 50 per cent.
- (b) Although By-laws were imposed with regard to display of advertisements in the authority area of the Sabha, the relevant fees had not been recovered even up to 24 January 2017. At the audit test check it was observed that, such 12 advertisements exhibited within the authority area of the Sabha.

2.2.2 Lease Rent

Action had not been taken to recover stalls rental of Rs.1,293,950.

2.2.3 Courts Fines and Stamp Fees

Courts fines and stamps fees amounting to Rs.15,094,990 to be recoverable from the Provincial Council and other authorities.

3. Operating Review

3.1 Management Inefficiencies

The following matters are observed.

- (a) Salaries amounting to Rs.2,713,446 had not been get reimbursed from the Department of Local Government.
- (b) Distress loans amounting to Rs.85,211 was paid without guarantors and this amount had not been recovered even to date.

3.2 Idle and Under-Utilized Resources

- (a) Two land masters, a water bowser, a tractor, extinguisher vehicle, a tractor tailor and a plough had been kept in idle for longer period.
- (b) The idle cash balances in the current accounts was Rs.6,300,495.

4. Accountability and Good Governance

4.1 Budgetary Control

The Budget had not been made use of as an effective control tool in the control of revenue and expenditure of the year under review.

4.2 **Annual Procurement Plan**

An annual procurement plan had not been implemented during the year under review.

4.3 **Internal Audit**

An adequate internal audit had not been carried out for the year 2016.

4.4 **Audit and Management Committee**

Audit and Management Committees had not been implemented during the year under review.

5. **Systems and Controls**

Special attention of the Sabha is needed in the following areas of controls.

- (a) Fixed Assets
- (b) Accounting
- (c) Control over Debtors and Creditors