

Walapane Pradeshiya Sabha

NuwaraEliya District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2017 had been presented to the Audit on 06 April 2018 and the Report of the Auditor General on those financial statements was issued to the Chairman on 31 July 2018.

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 Walapane Pradeshiya Sabha as at 31 December 2017, and its financial performance for the year then ended in accordance with the Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

- (a.) Although the stamp fees revenue in the year under review amounted to Rs.4,771,310, it had been brought to account as Rs.3,513,710 in the financial statements. Accordingly, a sum of Rs.1,257,600 had been understated.
- (b.) As provisions for creditors of Rs.2,500,000 had been made in the financial statements as at 31 December of the year under review relating to 03 uncompleted works and one work not commenced during the year under review, industrial creditors and the capital expenditure had been overstated by that amount.
- (c.) As the value of library books amounting to Rs.27,085 granted to the Public Library by the Department of Local Government as at 31 December of the year under review had not been included in the financial statements, value of library books and the Revenue Contribution to Capital Input Account had been understated by Rs.27,085.
- (d.) In the repayment of sundry deposits of Rs.20,094 in the year 2016, without being debited that amount to the sundry deposit account, creditors account had been debited. In order to correct that error, the sundry creditors of the year under review had been debited by

Rs.20,094 and the sundry deposit account had been credited by that amount. As a result, the sundry creditors as at 31 December of the year under review had been understated by Rs.40,188 and sundry deposits had been overstated by that amount in the financial statements.

- (e.) Even though 190 compost bins worth Rs.537,887 had been included in the financial statements as at 31 December of the year under review, those compost bins had been issued in the year 2016 and as such, the stocks in hand and the Accumulated Fund as at 31 December of the year under review had been overstated by that amount.
- (f.) Although the value of works completed during the year under review amounted to Rs.31,811,275, that value had been stated as Rs.26,640,482 by understating Rs.5,170,793 in the financial statements. As such, capital expenditure and the creditors had been understated by that amount.
- (g.) Although the amount receivable for the works completed during the year under review amounted to Rs.31,811,275, that value had been stated as Rs.34,215,589 overstating by Rs.2,404,314 in the financial statements. Accordingly, the debtors and the revenue of the year had been overstated by that amount.
- (h.) The amount payable for the development of the road nearby Kandapola High Forest Estate Temple completed in the year under review was Rs.373,000, it had been stated as Rs.37,500 in the financial statements, thus understating by Rs.335,500.
- (i.) Although the amount payable for the project relating to the construction of small bridges along the Udapussallawa Anikwatta road was Rs.50,000 by the end of the year under review, the total value of the project amounting to Rs.500,000 had been brought to account under the creditors and as such, a sum of Rs.450,000 had been overstated.
- (j.) The amount receivable for the “ Venath-Leads Dell Estate” road development project was Rs.47,850 as at 31 December of the year under review. Nevertheless, that value had been stated as Rs.430,631 overstating by Rs.382,781 in the financial statements and the payable amount had been stated as Rs.430,631 overstating by Rs.382,781 although that value amounted to Rs.47,850.

- (k.) Although the amount receivable as at 31 December of the year under review for the High Forest Division 03 Estate Road Development Project completed during the year under review amounted to Rs.48,925, it had been overstated by Rs.440,395 and indicated as Rs.489,320. Similarly, the amount payable for that project as at 31 December of the year under review was Rs.48,925, but that amount had not been stated under the creditors.
- (l.) Although the amount receivable and payable as at 31 December of the year under review for other 08 works completed during the year under review was Rs.3,740,879, that value had been understated by Rs.119,593 and stated as Rs.3,621,286 in the financial statements.

1.3.2 Unreconciled Control Accounts

A difference of Rs.974,755 was observed between the balances of 04 receivable accounts balances as at 31 December of the year under review and the balances of their subsidiary documents.

1.3.3 Accounts Receivable and Payable

1.3.3.1 Accounts Receivable

The total of 02 receivable account balances as at 31 December of the year under review amounted to Rs. 24,306,643, and a sum of Rs. 1,400,589 of that amount had remained in arrears over a period of more than one year.

1.3.3.2 Accounts Payable

The total of 03 payable account balances as at 31 December of the year under review amounted to Rs. 33,759,022, and a sum of Rs. 8,066,011 of that amount had remained unpaid over a period of more than one year.

1.3.4 Lack of Documentary Evidence for Audit

As necessary information had not been made available, 09 Items of Accounts totaled Rs. 26,569,100 could not be satisfactorily vouched in audit.

1.3.5 Non-compliances

Non-compliances with Laws, Rules, Regulations and Management Decisions

A sum of Rs.149,297 that remained recoverable from the period before the year 2015 from 18 officers/ employees transferred, retired, vacated the service and died while in the service of the Sabha had not been recovered in terms of Section 4 of Chapter XXIV of the Establishments Code.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 6,929,981 for the year ended 31 December 2017 as compared with the revenue in excess of the recurrent expenditure amounting to Rs. 10,762,074 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue, and Revenue in Arrears

Information on the estimated revenue, billed revenue, collected revenue, and revenue in arrears, presented relating to the year under review and the preceding year, is given below.

Estimated Revenue	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i). Rates and Taxes	2,312,974	2,449,170	1,851,807	1,517,888	2,275,419	2,433,274	1,828,321	1,918,106
(ii). Rents	6,128,000	4,617,855	3,976,260	3,142,146	1,660,000	2,555,585	2,163,617	3,294,550

(iii).Licence Fees	3,404,000	3,588,348	3,588,348	-	2,130,000	3,162,777	3,162,777	-
(iv).Other Revenue	6,491,000	7,306,295	4,659,530	3,549,712	7,669,000	12,153,915	7,021,272	5,132,643

2.2.2 Performance in Collecting Revenue

- (a) The lessees who had obtained 05 trade stalls of the Sabha on rent had defaulted the payment of rents over a period ranging from 05 months to 62 months and that amount in arrears stood at Rs.560,660.
- (b) Trade stall rents of Rs.50,000 relevant to the year under review had not been recovered even by 05 April 2018.

3.1 Performance

Matters revealed in the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people in terms of Section 3 of the PradeshiyaSabhas Act, are as follows.

(a) Unimplemented Projects

Three development projects worth Rs.985,420, provision for which had been made by the Ministry of Provincial Council and Local Government under the programme for the development of 1000 kilometers of rural roads during the year 2017 and a project worth Rs.500,000, provisions for which had been made under the estate roads development programme, had not been implemented during the year under review.

(b) Sustainable Development Goals

The Pradeshiya Sabha was not aware of the sustainable development goals and no step whatsoever had been taken thereon during the year under review.

3.2 Management Inefficiencies

- (a) Even though the validity period of the Environmental Protection Licence obtained by 20 business in terms of Gazette (Extraordinary) No.1523/16 dated 25 January 2008 issued in accordance with the National Environmental Act, No.47 of 1980 as amended by the Acts No.56 of 1988 and 53 of 2000 and the regulations made thereunder, had expired, new licences had not been issued.
- (b) Even though it had been notified by the Gazette Notification No.1993 dated 11 November 2016 that a charge of Rs.150 would be recovered monthly from the three-wheelers run on hired basis within the limits of the Pradeshiya Sabha Head Office area with effect from 01 January 2017, action had not been taken accordingly.
- (c) In terms of the Circular No.මප/ප.ප.කො/2016/03 dated 17 March 2016 of the Commissioner of Local Government of Central Province, the monthly rents assessed for the trade stall should be revised at least once in 05 years. Nevertheless, rents had not been so revised in respect of 19 trade stalls.

3.3 Management Inefficiencies

In terms of the Circular No.1988/22 dated 17 May 1988 of the Commissioner of Local Government, the assessment of properties for the recovery of Rates should be carried out at least once in 05 years. Nevertheless, such assessment had not been carried out after the year 2011 within the area of authority of the Sabha.

3.4 Assets Management

3.4.1 Failure to carry out maintenance and repairs

- (a) Electricity supply of the Nildandahinna Sub-office had been disconnected for over a period of one year and electricity supply had not been connected even by 11 May 2018.
- (b) Electricity supply of the Nildandahinna Public Library had been disconnected for over a period of one year and electricity supply had not been connected even by 11 May 2018.
- (c) The Nildandahinna Public Library had not been repaired over a longer period and ceiling of the library had been damaged due to rain water leak. Further, the reading table and the chairs had been damaged as a result of rainy water.

3.4.2 Assets not vested in

The ownership of the building in which the office of the PradeshiaSabha is maintained and the land thereof had not been settled and taken over by the Sabha.

4. Accountability and Good Governance

4.1 Budgetary Control

When comparing the estimated revenue and expenditure with the actual revenue and expenditure in terms of the budget for the year under review, variances ranging from 15 per cent to 42 per cent were observed with respect to 05 Items of Revenue, while variances ranging from 17 per cent to 211 per cent were observed with respect to 07 Items of Expenditure. As such, it was observed that the budget had not been made use of as an effective instrument of control.

4.2 **Conduct of Audit and Management Committees**

Only one Audit and Management meeting had been held during the year under review.

5. **Systems and Controls**

Deficiencies observed at the audit test check were brought to the notice of the Chairman from time to time. Special attention is needed in respect of the following areas of Systems and Controls.

<u>System</u>	<u>Deficiency</u>
Revenue	Failure to recover the revenue in arrears.
Debtors/ Creditors	Failure to recover the old balances.
Assets	Failure to carry out maintenance or repairs.
Stocks	Failure to update stock registers