

Warakapola Pradeshiya Sabha

Kegalle District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to audit on 29 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman on 31 July 2018.

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 2017 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 Deficiencies

The following matters were observed.

- (a) The creditors for the under review had been understated in the accounts by Rs.35,293.
- (b) Even though, the salary reimbursements receivable by the end of the year under review amounted to Rs.4,090,049, it was brought to account as Rs.8,209,974 and as such the salary reimbursements had been overstated by Rs.4,119,925.

1.3.2 Unreconciled Control Accounts

The following matters were observed.

- (a) According to the financial statements presented the balances of 22 items of accounts aggregated Rs.108,383,460 whereas the balances according to the subsidiary register/ reports aggregated Rs.93,342,013 thus resulting a difference of Rs.1,504,144.
- (b) The balance of the fixed assets accounts amounted to Rs.164,687,362 whereas the balance of the revenue contribution to capital outlay account amounted to Rs.125,004,008. Thus resulting a difference of Rs.39,683,354.
- (c) The balance of the Local Loans Development Fund amounted to Rs.9,525,086 whereas the balance of the related schedule amounted Rs.15,526,685. Thus resulting a difference of Rs.6,001,599.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

The value of balances of accounts receivable over one year as at the end of the year under review totalled Rs.28,458,790.

(b) Accounts Payable

The value of miscellaneous creditor balances over one year as at the end of the year under review amounted to Rs.19,786,415.

1.4 Non-compliances

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

The instances of non-compliances with laws, rules, regulations and management decisions are given below.

Reference to Laws, Rules, Regulations and Management Decisions.	Value	Non-compliance
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(a) Financial Regulations of Democratic Socialist Republic of Sri Lanka .		
(i) Financial Regulation 189	15,346	Action had not been taken on 04 dishonoured cheques.
(ii) Financial Regulation 396(d)	18,591	Action had not been taken on 10 cheques issued but not presented for payment.
(b) Section 67 and 68 of the Urban Development Authority Act No.41 of 1978.		- In terms of Section 02 of the Development Licence issued by the Sabha, a new building being constructed should not be utilized without obtaining a Certificate of Conformity. Nevertheless, it was observed at the field audit test checks, that 07 buildings had been utilised without obtaining the Certificate of Conformity.

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 2017 amounted to Rs.33,905,666 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.23,527,420.

2.2 Revenue Administration

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

The information with regard to estimated revenue, billed revenue, collected revenue and the arrears of revenue furnished for the year under review and for the preceding year appears below.

Source of Revenue	<u>2017</u>				<u>2016</u>			
	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	8,160,000	8,160,000	7,399,111	760,888	7,638,000	7,638,000	6,834,879	803,120
(ii) Lease Rent	7,527,000	7,527,000	5,694,064	1,832,935	7,354,000	7,354,000	6,569,752	784,247
(iii) Licence Fees	1,420,200	1,420,200	1,388,938	31,262	1,520,300	1,520,300	1,527,293	(6,993)
(iv) Other Revenue	86,479,500	86,479,500	52,097,784	34,381,715	78,073,700	38,073,700	51,954,268	26,119,431

2.2.2 Rates and Taxes

The following matters were observed.

- (a) Even though, the rates and taxes should be assessed once in 5 years and should be recovered rates, the assessment of properties for rates had not been made after the year 2008.
- (b) Action had not been taken to identify, the new developed areas in the authoritative area of the Pradeshiya Sabha and to carry out the preliminary assessment activities and to recover rates.
- (c) Action had not been taken to prepare a list of persons who defaulting payments and to prepare a restraining order at the end of each quarter and to hand over to the restraining officer in terms of 1988 Pradeshiya Sabha (Financial and Administration) Rule 33. According to the Sub-section 158(1) of the Pradeshiya Sabha Act No.15 of 1987, the properties should refer to restraint, but action had not been taken accordingly.

2.2.3 Licence Fees

Action had not been taken to renew the environmental licences of 09 business institutions maintained in the authoritative area of Sabha of which should be obtained the environmental licences. As such a revenue of Rs.36,000 had been deprived by the Sabha.

2.2.4 Other Revenue

(a) Fees for Tourist Hotels

Action had not been taken to carry out a survey relating to the hotels approved by the Tourist Board in the authoritative area of the Sabha and to recover the charges.

(b) Advertisement Hoarding Charges

Even though, a sum of Rs.199,230 had been recovered as advertisement hoarding charges in terms of 126 (vii) (f) and 126 (xxx) of the Pradeshiya Sabha Act No.15 of 1987 and the Extra-ordinary Gazette dated 25 August 1988, action had not been taken to impose by – laws properly and to increase revenue.

(c) Entertainment Tax

Action had not been taken to recover entertainment tax amounting to Rs.179,089 recoverable from 2 Cinema Halls from the year 2014.

(d) Motor Vehicle Parking Fees

Even though, by - laws had been imposed to recover vehicle parking fees, action had not been taken to recover revenue during the year under review.

(e) Allotments and Sale of Land Blocks

In terms of Section 154 of the Pradeshiya Sabha Act No. 15 of 1987 action had not been taken to recover one per cent of Rs.40,000 on the allotment and sale of land blocks of the Kalatiyagoda Kosgasmula hena.

2.2.5 Court Fines and Stamp Fees

The revenue of court fines and the revenue of stamp fees as at 31 December 2017 amounted to Rs.9,999,633 and Rs.36,902,401 respectively.

3. Operating Review

3.1 Performance

The matters revealed in respect of the activities that should be carried out by the Sabha such as regularize and control over the matters on public health, public utility services and public roads and comfort, facilities and well being of the people under Section 03 of the Pradeshiya Sabha Act are given below.

(a) Failure to achieve Expected Output Level

(i) Even though, a sum of Rs.10,564,000 had been estimated under 24 projects in the budget of the year 2017 for acquisition of capital assets, 14 projects out of that amounting Rs.3,850,000 had not been executed.

(ii) Even though, the provisions of Rs.12,109,098 had been allocated for 54 works under 03 sources of funds in the year 2016, those works had not been executed even by April 2018.

(b) Solid Waste Management

Public resistance had arisen due to not disposing of waste properly to the Theliella Waste Management Centre.

(c) Sustainable Development Goals

As the Sabha had not aware in respect of the 2030 Agenda of Sustainable Development Goals, the long term plans to upgrade the livelihood and the health of the people of the authoritative area of the Sabha through global indicators for that objectives had not been prepared even by May 2018.

3.2 Management Inefficiencies

The shroff had not balanced the Daily Record Book of the shroff receipts and the daily cash balance and book balance had not been checked by a supervising officer in terms of the 1988 Pradeshiya Sabha (Financial and Administration) Rules 164.

3.3 Human Resources Management

The following matters were observed.

(a) The number of excess staff of the Sabha stood at 20 while the employees recruited on labour basis and casual basis in addition to that had been 29. There were no vacancies to stand them at permanent status in completion of 180 days and action had been taken to renew the agreements of 14 employees who had not fulfilled the minimum qualifications for recruitment.

- (b) Action had not been taken to recover a loan balance amounting to Rs.148,069 which stated as transferred out, vacated of post, retired and the particulars could not be found for a long period.

3.4 Operating Inefficiencies

In terms of paragraph (vi) of the Circular No.2005/04 dated 01 June 2005 of the Commissioner of Local Government of the Sabaragamuwa Province, the action had not been taken for vesting the land in extent of 45 perches entitled to the Sabha in dividing into allotments of the Kalatiyagoda Kosgahamullahena land. An agreement had not been entered into with the seller of the land in terms of paragraph (iv) of the Circular and the deeds, numbers and values relating to the land sale had not been obtained from the Land Registry while the accuracy of the particulars given by the seller had not been tested.

3.5 Assets Management

It was revealed that 85 cemeteries had belonged to the Warakapola Pradeshiya Sabha and action had not been taken to survey the lands of the cemeteries and for vesting of those lands and to measure and construct fences to, ensure the security and to lease out the crop as to obtain a revenue.

3.6 Losses and Damage

The following matters were observed.

- (a) As per the Boards of Survey as at 31 December 2016, the action had not been taken to recover the loss incurred on the shortages of goods amounting to Rs.38,076.
- (b) Action had not been taken either to recover from the responsible officer or to eliminate from the Accession Register the outstanding list of books brought forward since number of years in the public library, Algama.

4. Accountability and Good Governance

4.1 Budgetary Control

Provisions totalling Rs.16,877,962 from the net provisions of the year under review consisting of 100 per cent of provisions totalling Rs.7,167,000 made for 46 objects and provisions totalling Rs.9,710,962 ranging from 40 per cent to 98 per cent made for 52 objects had not been utilized for the activities of the Sabha.

5. Systems and Controls

Deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of control.

System

(a) Accounting

(b) Budgetary Control

(c) Revenue Administration

(d) Assets Control and Security

Observations

(i) Failure to update Register of Fixed Assets.
(ii) Failure to settle the balances of accounts receivable and payable.

(iii) Understatement and overstatement of revenue, expenditure and assets, liabilities.

(iv) Unreconciliations of balances of ledger accounts and registers.

Considerable savings in the net provisions.

(i) Failure to assess the assessment properties properly.

(ii) Non-recovery of court fines and stamp fees revenue.

(iii) Non-recovery of rates and taxes on new constructions.

Failure to take action relating to ownership and security of cemeteries of the Sabha.