

WariyapolaPradeshiya Sabha

Kurunegala District

01. Financial Statements

1.1 Presentation of Financial Statements

Financial statements of the year 2017 had been presented to the Audit on 28 arch 2018 and the report of the Auditor General relating to those financial statements had been sent to the Chairman on 28 September 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 Wariyapola 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 value of DenipothalandaMukalana land had been shown as Rs. 278,125 in the Register of Fixed Assets, but the same amounted to Rs. 218,125 in the financial statements.
- b) The value of a tipper worth Rs. 6,009,602 received by the Sabha from the Line Ministry had been shown as Rs. 8,500,000 in the financial statements.
- c) A sum of Rs. 523,775 received with respect to 03 works had not been shown after being deducted from the debtors' account.
- d) No provision had been made in the financial statements in regard to audit fees relating to the year under review.
- e) According to information from the Revenue Division, court fines and warrant fees totaled Rs. 6,481,721. However, the same was shown as Rs. 5,946,771 in the income and expenditure account.

- f) According to information from the Revenue Division, the court fines receivable by the end of the year under review amounted to Rs. 2,718,850. However, the same was shown as Rs. 2,183,900 in the balance sheet.
- g) The value of the stock of stationery amounting to Rs. 630,997 as per the schedule and the reports of the Board of Survey, had been shown as Rs. 443,447 in the balance sheet.

### 1.3.2 Unreconciled Accounts

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The following matters were observed.

- a) A difference of Rs. 33,610 existed between the balances of financial statements and the schedules with respect to 04 items of account.
- b) A difference of Rs. 2,789,301 existed between the balances of financial statements and the Register of Fixed Assets / information provided by the Sabha with respect to 09 items of account.

### 1.3.3 Accounts Receivable and Payable

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#### a) Accounts Receivable

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As for the accounts receivable as at 31 December 2017 amounting to Rs. 224,594,623, legal action had not been taken to recover a sum of Rs. 164,250 out of the sum amounting to Rs. 1,016,667 that had continued to exist over a period one year whereas the Sabha had not taken action formally for the recovery of the balance amounting to Rs. 852,417.

#### b) Accounts Payable

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Out of the accounts payable as at 31 December 2017 amounting to Rs. 219,980,516, action had not been taken to settle a sum of Rs. 942,971 continued to exist for 1 – 3 years, and a sum of Rs. 4,570,926 older than 03 years.

### 1.3.4 Lack of Documentary Evidence for Audit

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Failure to Present Information to the Audit

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The following matters were observed.

- a) As required information had not been made available, 05 items of account to the total value of Rs. 29,482,198, could not be satisfactorily vouched in audit.

- b) Documents relating to the identification of industrial debtor balances continuing to exist from the years prior to 2016, had not been made available to the Audit. Despite being informed that a sum of Rs. 15,893,439 had been received in regard of 110 works executed by the Sabha during the preceding year, no documentary evidence had been presented in that connection.
- c) Despite being informed that the value of a bush trimming machine fixed to a tractor amounting to Rs. 175,000 had been brought to accounts under machinery, no information was furnished to confirm that.

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

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Instances of non-compliances with Laws, Rules, Regulations and Management Decisions are as follows.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance
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	Rs.	
(a) Pradeshiya Sabha Rules 1988 ( Finance and Administration)	439,681	Payments had been made for 11 vouchers relating to January 2017 without being certified.
(b) Procurement Guidelines 2006		
(i) Section 3.4.2 (a)	1,293,925	Inventory items and consumables had been purchased without calling for quotations.
(ii) Sections 5.6 and 6.2.2	1,206,338	Specifications had not been presented. The minimum period for calling for bids had not been provided as per national competitive bidding process.
(iii) Section 6.3.3	1,864,713	Date, time and venue relating to the opening of bids had not been mentioned.

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| (c) Public Administration Circular, No. -<br>30/2016, dated 29 December 2016.                | Repairing vehicles had been categorized as internal and external. Provisions of Circulars had not been followed. |
| (d) Circular, No. IAI/2002/02 of the Secretary -<br>to the Treasury, dated 28 November 2002. | A register of fixed assets had not been maintained separately for computer accessories and software.             |

## 2. Financial Review

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### 2.1 Financial Results

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According to the financial statements presented, the revenue in excess of the recurrent expenditure of the Sabha amounted to Rs. 75,388,023 for the year ended 31 December 2017. The corresponding revenue in excess of the recurrent expenditure for the preceding year amounted to Rs. 61,435,397.

## 2.2 Revenue Administration

### 2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Outstanding Revenue

Information on the estimated revenue, billed revenue, collected revenue, and outstanding revenue relating to the year under review and the preceding year, is as follows.

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. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
(I) Rates and Taxes	5,169	6,065	6,202	554	4,880	5,617	5,617	692
(II) Lease Rents	9,889	10,604	10,692	02	9,383	9,320	9,302	90
(III) License Fees	772	1,189	1,189	-	742	932	932	-
(IV) Other Income	168,084	177,085	174,442	37,557	165,095	166,207	166,208	34,914
<b>Total</b>	<b>183,914</b>	<b>194,943</b>	<b>192,525</b>	<b>38,113</b>	<b>180,100</b>	<b>182,076</b>	<b>182,059</b>	<b>35,696</b>

Note - The revenue collected in the year 2017 included the receipt of arrears amounting to Rs. 35 million relating to the preceding years.

## 2.2.2 Performance in Collecting Revenue

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Despite being estimated to collect a revenue of Rs. 183 million in the year under review, a revenue of Rs. 192 million had been collected including the receipt of outstanding revenue amounting to Rs. 35 million relating to the preceding years. The revenue in arrears amounting to Rs. 35 million as at 31 December of the preceding year, had become Rs. 38 million by the end of the year under review.

## 2.2.3 Rates and Taxes

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The following matters were observed.

- (a) Action had not been taken in terms of Pradeshiya Sabha Rules 32 - 42 (Finance and Administration) to recover the sum of Rs. 250,559 remained outstanding over a period of one year in the Rates in arrears totaling Rs. 692,000 as at 01 January of the year under review.
- (b) Action had not been taken in the year under review to recover the sum of Rs. 66,908 continued to exist over one year in the outstanding acreage tax totaling Rs. 141,090 as at 31 December of the year under review.

## 2.2.4 Rents

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The Sabha had taken legal action to recover a sum of Rs. 164,250 that had remained unrecovered over several years with respect to 03 assets given on lease through annual tenders, but that sum remained unrecovered even by 31 December of the year under review.

## 2.2.5 Other Income

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The recovery had not taken place properly by the end of the year under review in regard to the sums of Rs. 147,800, Rs. 25,250, and Rs. 64,000 relating to leasing out vehicles, gully vehicle and the water bowser respectively.

## 2.2.6 Court Fines and Stamp Fees

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The court fines, and stamp fees receivable from the Chief Secretary to the Provincial Council and other officials, amounted to Rs. 2,718,850, and Rs. 20,000,000 respectively as at 31 December 2017.

### 3. Operating Review

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#### 3.1 Performance

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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 Pradeshiya Sabhas Act, are as follows.

##### (a) Bylaws

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The Sabha had followed 39 bylaws made through the Gazette Extraordinary, No. 520/7, dated 23 August 1988 of the Democratic Socialist Republic of Sri Lanka in terms of Section 126 of the Pradeshiya Sabhas Act, and 12 bylaws made by the Provincial Council whilst one bylaw had been imposed by the Sabha.

##### (b) Failure to Carry out Activities

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Thirty works budgeted to the value of Rs. 11,350,000 had not been carried out in the year 2017.

##### (c) Solid Waste Management

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The following matters were observed.

- (i) A sum of Rs. 7,692,923 had been spent on the waste management in the year under review. Having collected 282 tons of degradable / non-degradable waste, 30 tons of organic fertilizer had been produced using 98 tons of waste therefrom. Sums of Rs. 341,070 and Rs. 128,023 had been earned through the sale of fertilizer and non-degradable waste respectively whilst a sum of Rs. 351,418 had been recovered as garbage tax.
- (ii) As compared with the preceding year, the volume of waste collected in the year under review had decreased by 6 per cent due to implementation of miscellaneous programmes.

##### (d) Sustainable Development Goals

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As the Sabha had not become aware of the “2030 Agenda” on sustainable development, the Sabha did not have a broad scope on the Sustainable Development Goals. As such, indicators had not been identified for measuring the Sustainable Development Goals and targets. However, programmes had been implemented in view of poverty alleviation and self-employment opportunities. Resources for the Sustainable Development Targets could not be obtained continuously due to reasons such as, instability in income, and increase in expenditure following broad service requirements.

## 3.2 Management Inefficiencies

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The following matters were observed.

- (a) Due to failure in properly paying contributions to the Employees' Provident Fund during 2001 - 2013 for the casual employee of the Sabha, a surcharge of Rs. 73,697 had to be paid.
- (b) According to Gazette Extraordinary, No. 1597/8 of the Democratic Socialist Republic of Sri Lanka, dated 17 April 2009, a fee of Rs. 20,000 should be charged on communication towers with height up to 5-20 meters and Rs. 100 should be charged per meter beyond that limit. However, a sum of Rs. 111,110 had been undercharged from 06 communication towers erected in the year 2009.
- (c) Due to failure in obtaining certificates of conformity for 29 communications in the division of the Sabha, the Sabha had been deprived of a sum of Rs. 169,393.
- (d) As trade licenses had not been obtained in 2017 for 23 communication towers erected in the division of the Sabha, the Sabha had been deprived of a sum of Rs. 69,000.

## 3.3 Assets Management

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### 3.3.1 Assets not Acquired

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The following matters were observed.

- (a) Lands in extent of 04 acres and 02 roods with community halls located at 04 locations in the division of the Sabha had not been assessed and action had not been taken by the Sabha to take over those lands belonging to the Housing Development Authority.
- (b) Action had not been taken by the Sabha to take over 02 Cabs and a Canter Lorry being used by the Sabha.

### 3.3.2 Idle Assets

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A backhoe worth Rs. 550,000 and a tractor valued at Rs. 73,500 had remained disused for a period of about 04 years.



### 3.4 Identified Losses

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Action had not been taken to recover the loss of Rs. 34,653 resulted in due to misplacement of 164 books at 10 libraries pertaining to the Sabha in accordance with the reports of the Board of Survey as at 31 December of the year under review.

### 3.5 Procurements

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#### 3.5.1 Supplies and Services

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The following matters were observed.

- (a) Fire extinguishers worth Rs. 128,928 had been purchased contrary to Guideline 3.4 (a) of the Procurement Manual without following the Procurement Procedure.
- (b) A report had not been obtained from the Technical Evaluation Committee when purchasing the communication equipment and CCTV system valued at Rs. 1,206,338 to be installed at the new office building.
- (c) Quotations had not been obtained for purchasing a photocopier. Instead, a photocopier had been purchased at the value of Rs. 142,013 based on the prices of the *Pura Neguma* Project.
- (d) Purchases valued at Rs. 666,540 had been made without following the Procurement Procedure.
- (e) Payments totaling Rs. 349,000 had been made to purchase fertilizer bags for the solid waste management project, and it was informed that those prices had been evaluated on 29 December 2016. Nevertheless, the prices of the supplier had been received on 30 December 2016.

#### 3.5.2 Contract Administration

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A sum of Rs. 990,922 had been paid on the improvement of the boundary road of Heenpallagama, Pallawa Dampitiya. It was observed in the site inspection on 28 January 2018 that an area of 10\*2.6 meters on that road had caved in.

#### 4. Accountability and Good Governance

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##### 4.1 Budgetary control

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The following matters were observed.

- (a) In the year under review, 115 non-budgeted works valued at Rs. 141,626,266 had been executed.
- (b) A sum of Rs. 6,415,254 had been spent in excess of the provision totaling Rs. 4,300,000 made on 07 works in the year under review.

##### 4.2 Internal Audit

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An internal audit had been carried out in terms of Finance and Administration Rule 5 (7) of 1988, but copies of the reports of the internal audit had not been presented to the Auditor General .

#### 5. Systems and Controls

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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 -----	Deficiency -----
(a) Accounting Process.	(i) Erroneous accounting of fixed assets, and failure to account the fixed assets. (ii) Current assets being understated in accounts. (iii) Revenue being brought to accounts erroneously.
(b) Control and Collection of Revenue.	Failure to take action in recovering the monies receivable.
(c) Control of Fixed Assets.	(i) Failure to take action on idle assets. (ii) Failure to maintain the Register of Fixed Assets in an up – to – date manner. (iii) Failure to assess the value of fixed assets before being brought to accounts.
(d) Procurement Process.	Failure to make purchases in accordance with the Procurement Guidelines.
(e) Budgetary Control.	Execution of works that had not been estimated.