

Wellawaya Pradeshiya Sabah

Moneragala District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Auditor General on 24 March 2016 while Financial Statements relating to the preceding year had been submitted on 10 April 2015. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabah on 23 June 2016.

1.2 Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Wellawaya Pradeshiya Sabha as at 31 December 2015, 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

Following matters are observed.

- (a) Although the value of Land and Buildings belong to the Sabha as at the end of the year had been shown as Rs.240,225,624, those had not been valued by a Member of Valuation Profession with accepted professional qualifications.
- (b) While the balance of the Un-settled Works Advance Account at the end of the year under review according to financial statements amounted to Rs. 5,851,603, as the balance according to the Register was Rs. 6,410,089, a difference of Rs. 558,486 was observed.
- (c) The Protorn Tractor No. RD-9455, UPZA JCB Machine and the Road Roller belong to the Sabha had been accounted as Rs. 27,116,323 without identifying the cost.
- (d) Sixty five plots of cemetery grounds and another 20 plots of lands not accounted and belong to the Sabha had not been identified and valued by a Member of Valuation Profession with accepted professional qualifications.

1.3.2 Accounts Receivable Payable

Following matters are observed.

- (a) Action had not been taken to settle the Audit Fees amounting to Rs. 269,756 payable for 14 years from 1995 to 2000 and 2002 2008 by the Sabha.
- (b) Action had not been taken to settle Water Charges of 8 various buildings and places of the Sabha, payable to the National Water Supply and Drainage Board at the year under review amounting to Rs.1, 190,503 which was being brought forward.
- (c) It had been informed vide letter without number dated 24 December 2012 of the Commissioner of Inland Revenue to pay the tax recovered prior to the date 31 December 2012 on the grounds of cancelation of the Value Added Tax. However, the Value Added Tax amounting to Rs. 1,813,914 recovered during the period from the year 2005 to March 2013 had been with hld as Deposits Payable.
- (d) Action had not been taken to settle the balance of the Local Government Pension Contribution in arrears, Payable as at the end of the year under review amounting to Rs. 969,318.

1.3.3 Lack of Evidence for Audit

Three items of Assets totaling Rs. 241,549,730 and three Items of Liabilities amounting to Rs. 5,525,716 could not be satisfactorily vouched in audit due to non-submission of required information to audit.

1.3.4 Non-compliance with Laws Rules and Regulations.

Following instances of non-compliance with laws, rules and regulations were observed in audit.

Reference to laws, Rules and Regulations	Non-compliance
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Pradeshiya Sabha Act No. 15 of 1987	(a) A sum of Rs. 11,281,204 had been paid as
i. Section 19 (1) (i)	Salaries, Allowances, Employees Provident and Employees Trust Fund contributions, having recruited 15 employees to the posts of Driver, Watcher and Laborer on substitute and casual basis during the period from the year 2009 to 31 October of the year under review without written prior approval of the Commissioner of Local Government.

(b) A sum of Rs.1,176,300 had been paid having recruited 11 employees for garbage disposal works of the Sabha on daily paid basis as Rs. 900 per day during the year under review without written prior approval of the Commissioner of Local Government.

ii. Section 49

Fifteen Towers had been erected in the area of authority of the Sabha without approval of the Planning Committee by 5 telephone companies.

(b) Financial Regulations of the Republic of Sri Lanka

F.R. 71

Eleven employees of the Sabha served on casual and substitute basis had been appointed to the posts of field laborer, sanitary laborer and machine operator outside approved cadre, contrary to Public administration Circular No. 25/2014 dated 12 November 2014.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, the excess of revenue over recurrent expenditure for the year under review ended 31 December 2015 amounted to Rs. 14,175,429 as compared with the excess of revenue over recurrent expenditure according to financial statements for the preceding year amounted to Rs. 2,213,369. Accordingly, net increase in the financial results amounted to Rs. 11,962,060.

2.2 Revenue Administration

2.2.1 Arrears of Revenue

Action had not been taken to recover Arrears of Revenue totaling Rs. 25,940,706 as at the end of the year under review in terms of provisions in Sections 158 and 159 of the Pradeshiya Sabha Act No. 15 of 1987.

2.2.2 Rates

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- (a) While Rates Revenue billed during the year under review was. 6,097,332, a sum of Rs.1,522,38 had been collected as tax as at 31 December of the current year. It was at a low percentage such as 24 per cent of the Total Bill Value.
 - (b) While the balance of Rates Revenue in arrears as at as at 01 January 32015 was Rs. 8,566,302, amount collected as Revenue in Arrears as at 31 December 2015 had been Rs. 3,029,321. It was at a low percentage such as 35 per cent.

2.2.3 Lease Rent

Following matters are observed.

- (a) On Sabha decision taken, according to a plan prepared by the Technical Officer and the Revenue Overseer of the Sabha, action had been taken to lease out the land bearing deed No. 940 situated in the Wellawaya Town and the land situated in the middle of the Wellawaya Bank of Ceylon and the New Market Complex.
- (b) While action had not been taken even up to 11 December 2015 to lease out 8 trade stalls which could not be leased out to bidders on 11 December 2011, two trade stalls had been sub-leased to others.
- (c) While action had not been taken even up to 11 December 2015 to lease out 3 trade stalls in upper floor of the Wellawaya Bus Stand, which could not be leased out having called for tenders during the year 2007, action had been taken to sub-lease 6 stalls.

2.2.4 Other Revenue

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- (a) Action had not been taken in terms of provisions in Section 149 of the Pradeshiya Sabha Act No. 15 of 1987 to recover a tax not exceeding 1 per cent of the receipts of the preceding year to the relevant year from one hotel and four lodging houses registered in terms Tourism Promotion Act No.14 of 1968 for the functions of the Sri Lanka Tourism Promotion Authority or approved by that.
 - (b) Action had not been taken to recover a sum of Rs. 1,161,102 due from 15 individuals and institutions for hiring out the two J.C.b. Machines and the Motor Grader belong to the Sabha during the years 2013, 2014 and the year under review.

2.2.5 Court Fines and Stamp Fees

A sum of Rs. 5,585,712 on account of Court Fines and a sum of Rs. 2,501,931 on account of Stamp Fees were due to be recovered from the Chief Secretary to the Provincial Council and other authorities as at 31 December of the year under review.

2.3 Surcharges

Value of surcharges outstanding to be recovered as at 31 December 2015 in connection with surcharges imposed by me against the persons responsible in terms of Section 172 (3) of the Pradeshiya Sabha Act No 15 of 1987 was Rs. 70,338.

3. Operating Review

3.1 Operational Inefficiencies

Following matters are observed.

- (a) Seventeen employees more than the approved cadre relevant to 05 posts had been engaged in service.
- (b) Although there were no vacancies in the approved cadre, 11 trainees had been engaged for various functions without obtaining the approval of the Commissioner of Local government and payments amounting to Rs..832,000 had been made without making provisions in the budget.
- (c) While out of 300 waste bins of 20 liters capacity provided through the Local Government Department on 09 December 2013, 40 bins had been misplaced, action had not been taken to distribute the balance 260 bins even up to 11 April 2016.
- (d) Although the Local Authorities should function as a supplier of services for operations and maintenance of street lamps on the basis of payment of fees in terms of clause 2(1)of the letter dated 17 August 2010 of the Secretary to the Ministry of Power and Energy, an expenditure of Rs.124,200 had been incurred for this out of the Sabha Fund without taking action accordingly.
- (e) While action had not been taken to inventoried through Receipt Orders having obtained Issue Orders with regard to 304 G.I. Pipes provided through the Buththala Pradeshiya Sabha on 28 November 2014, 137 G.I. Pipes had not been taken to the registers as at 08 April 2016. The balance 167 pipes were not produced at the physical inspection carried out on 11 April 2016. Out of 137 G.I. Pipes, 75 had been cut into pieces and had been used for the housing complex.

3.2 Improper Transactions

- (a) A sum of Rs. 600,998 had been paid out of the Sabha Fund as material, educational and medical assistance during the year under review without obtaining the sanction of the Minister in terms of provisions in the Pradeshiya Sabha Act No. 15 of 1987.

- (b) A sum of Rs. 35,000 had been paid out of the Sabha Fund for training works without obtaining the sanction of the Minister in terms of provisions in the Pradeshiya Sabha Act No. 15 of 1987.
- (c) Building materials and various equipment amounting to Rs.221,998 had been obtained for various works from 7 private institutions situated in the Wellwaya Town on loan basis In number of occasions during the year under review, by the Sabha without following a proper procurement methodology.

3.3 Contracts administration

Payments amounting to Rs. 841,862 had been made to contracting societies without preparing measurement sheets for 4 various constructions during the period from January to September of the year under review.

3.3 Solid Waste Management

- (a) While an action plan had been prepared relating to Solid Waste Management through the Sabha, a permit of the Forest Conservation Department for the relevant land had been issued on 16 January 2012. However, action had not been taken to implement the plan up to now.
- (b) While the garbage plunged in the Wellawaya Town are released to the Arnapallama Government Teak Land haphazardly, non-decaying material like polythine had been spread all over the area causing a damaging situation to the environment. A harmful situation had prevailed to surrounding villages from wild elephants approaching to the garbage dumping site.

4. Good Governance and Accountability

4.1 Budgetary Control

According to material variances reflecting between the estimated revenue and expenditure through the budget prepared for the year under review by the Sabha and the actual revenue and expenditure for the year, the Budget had not been made use of as an effective tool of Revenue and expenditure control.

4.2 Annual Procurement Plan

An Annual Procurement Plan had had not been prepared for the year under review by the Sabha.

4.3 Internal Audit

An adequate internal audit had not been carried out through the Internal Audit Unit of the Provincial Council.

4.4 Audit and Management Committee

Action had not been taken to establish Audit and Management Committees in terms of Internal Audit Guidelines Circular No. DMA/2009/(1) dated 9 June 2009 of the Management Audit Department, even up to the year under review.

4.5 Audit Queried not resolved and replied

Replies had not been furnished to an audit query issued during the year 2013, 5 queries issued during the year 2014 and 2 audit queries issued during the year under review.

5. Systems and Controls

Special attention is needed in the following areas of controls.

- (a) Accounting
- (b) Internal Control
- (c) Revenue Administration
- (d) Solid Waste Management.