

Welimada Pradeshiya Sabha
Badulla district

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year 2017 had been submitted for audit on 29 March 2018 and the report of the Auditor General had been sent to the Chairman of the Council on 24 July 2018.

1.2 Qualified Opinion

In my opinion except for the effect on the matters described in Paragraph 1.3 of this report, Financial Statements give a true and fair view of the financial position of the Welimada 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 Comment on the Financial Statement

1.3.1 Accounting Deficiencies

The following accounting deficiencies were observed in audit.

- a. The value of a UPS purchased in the year under review was Rs.13,500 but it was accounted as Rs.135,000 as such the corresponding Asset Account and the Revenue Contribution to Capital Outlay Account were overstated by an amount of Rs.121,500.
- b. Four hand carts valued at Rs.99,200 purchased in the year under review had not been accounted.
- c. A stationery stock amounting to Rs.31,458 in the year under review had not been accounted as such the current assets were understated by that amount.
- d. Staff loans of the year under review had been overstated by Rs.9,905 as such the assets were overstated by that amount.
- e. Although the income of staff loan interest amounted to Rs.375,854, it was accounted as Rs.452,299 as such the income had been overstated by Rs.49,445.
- f. The value of library books purchased in the year under review was understated by an amount of Rs.58,685 as such Assets and Revenue Contribution to Capital Outlay accounts were understated by that amounts.
- g. Land and Building amounting to Rs.17,817,634 had not been accounted as such the Assets and Revenue Contribution to Capital Outlay Accounts were understated by that amount.

- h. Although the Court Fine Income for the year under review amounted to Rs.5,000,000, it was accounted as Rs.10,798,781 as such revenue had been overstated by Rs.5,798,781.
- i. Although Arrears of Stamp Fees for the year under review amounted to Rs.7,981,245 it was accounted as Rs.10,798,652 as such current assets were overstated by Rs.2,817,407.
- j. An amount of Rs.422,530 stated as pre-payment at the beginning of the year under review was accounted as Rs.339,760 at 31 December of the year under review as such the current assets were understated by Rs.82,770.
- k. Unsettled Stores Advance of the year under review was overstated by Rs.509,658 as such the Current Assets were overstated by that amount.

1.3.2 Unreconciled Accounts

Although according to the balance of cash book as at 31 December of the year under review amounted to Rs.3,789,502, according to the Bank Reconciliation Statement the balance was shown as Rs.3,822,502 as such there was a difference of Rs.33,000.

1.3.3 Accounts Receivable and Payable

a. Accounts Receivable

At the end of the year under review, accounts payable balance amounting to Rs.45,301,475 includes Arrears of Rates amounting to Rs.2,923,478 and Arrears of Miscellaneous Revenue amounting to Rs.42,377,997.

b. Accounts Payable

Creditors payable as at 31 December of the year under review, was Rs.30,300,544.

1.3.4 Lack of Documentary Evidence for Audit

Due to the lack of documentary evidence, the total of 4 items of accounting amounted to Rs.39,141,269 could not be satisfactorily vouched in audit.

1.3.5 Non-compliance

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

Instances of Non-compliance with Laws, Rules, Regulations and Management Decisions were shown below.

	Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance
		Rs.	
a.	i. Section 152 of the Pradeshiya Sabha Act No.15 of 1987	36,000	Trade License Fees were not collected from 09 businesses.
	ii. National Environmental Act No.47 of 1980 amended by Act No.56 of 1988 and Act No.53 of 2000 and Extra Ordinary Gazette No.1523/16 dated 26 January 2008		i. A survey had not been conducted of businesses that needed to obtain environmental license for the year 2017. ii. Although it is compulsory that slaughterhouses should obtain environmental license from the Central Environmental Authority, for 2 such slaughterhouses had not been obtained license for the year 2017.
b.	Pradeshiya Sabha (Financial and Administration) Rules - 1988		
	i. Rule 156		Payment cash book had not been prepared according to the Pradeshiya Sabha Format 11.
	ii. Rule 218		Annual Survey of the Land and Buildings belonging to the Council had not been done and report were not updated.
c.	The Establishment Code of the Democratic Socialist Republic of Sri Lanka		

	Section 4 of Chapter xxiv	180,351	Loans recoverable had not been cancelled from two employees who had left service or transferred.
d.	Financial Regulations of the Democratic Socialist Republic of Sri Lanka		
	i. Financial regulation 371	1,443,191	Advances paid in 32 instances before the year 2000 were not recovered up to 31 December 2017.
	ii. Financial regulation 571	2,377,945	Action had not been taken to settle deposits made in 144 instances that were more than 2 years as at 31 December.
e.	Paragraph 3.1 of the Public Administration Circular No.30/2016 dated 26 December 2016		Although a fuel consumption test should be conducted in respect of the vehicles belonging to the Council such a test had not been conducted relating to vehicles of the Council except the tractor.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, surplus of revenue over recurrent expenditure of the Council for the year ended 31 December 2017 amounted to Rs.35,483,499 and the corresponding surplus of revenue over recurrent expenditure for the preceding year amounted to Rs.24,918,028.

2.2 Revenue Administration

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

The details of the Estimated Income, Billed Income, Collected Income and Arrears of income for the year under review and the preceding year is shown below.

Source of Income	2017				2016			
	Estimated Income	Billed Income	Collected Income	Arrears as at 31 December	Estimated Income	Billed Income	Collected Income	Arrears as at 31 December
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
(i) Rates and Tax	5,284,730	1,795,461	4,107,925	1,278,448	4,733,940	3,483,937	2,496,555	987,382
(ii) Rent	3,282,860	2,866,027	4,107,925	(16,539)	2,562,240	2,897,749	2,698,608	199,142
(iii) License Fees	2,522,600	2,162,850	2,492,780	(329,930)	2,279,600	2,275,711	2,362,007	(86,085)
(iv) Other Income	12,410,110	11,985,566	11,750,900	218,131	12,891,870	10,037,838	9,837,901	199,937
Total	23,500,300	18,809,964	22,459,530	1,150,114	22,467,650	18,695,236	26,252,405	1,300,376

2.2.2 Performance in Revenue Collection

The total billed revenue for the year ended 31 December 2017 amounted to Rs. 18.8 million while collected revenue amounted to Rs. 22.4 million. Revenue amounted to Rs. 1.15 million had to be collected and in comparison to the preceding year the arrears of revenue collection was reduced by 11.5 per cent.

2.2.3 Rent

Action had not been taken to collect Tender Shop Rent amounting to Rs.1,293,950 related to the year 2011.

2.2.4 Court Fines and Stamp Fees

The Court Fines and Stamp Fees to be recovered from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2017 amounts to Rs.10,798,652 and Rs.8,400,000 respectively.

3. Operational Review

3.1 Performance

It was revealed after the analyzing of the execution of activities by the Pradeshiya Sabha in accordance with Pradeshiya Sabha Act Section 3 such as regulation of health of the public, common utility services and public road facilities and maintenance of people's prosperity, welfare and development are given below.

a. Action Plan

An Action plan for the year 2017 had not been prepared.

b. Solid Waste Management

A place of improper disposal and burning of waste had been carried out in a land of the Thannekumbura sub office.

a) Goals of Sustainable Development

Due to the Council not being aware of 2030 Agenda of Goals of Sustainable Development, the global view of such purposes to enhance the living standards and health of the people living in the authority area of the Council had not been initiated up to 31 December 2017.

3.2 Management Inefficiencies

- a. Although a women's empowerment center is being conducted in the sub office of Thannekumbura since 10 years. However, rent had not been charged in this regard yet action to collect a rental had not been taken.
- b. Although there were enough funds and suitable lands available to construct a new building for the Welimada Pradeshiya Sabhawa, a building had been rented out on a year basis of Rs.1,164,000.

3.3 Identified Losses

An amount of Rs.17,996 had been paid for the reconnection of electricity after disconnection of Boralanda Quarters belonging to the Council.

3.4 Assets Management

3.4.1 Not carrying out Maintenance and Repairs

- a. Due to lack of maintenance of the warehouse, toilets and other buildings of the sub office of Thannekumbura had fallen to unsuitable position.
- b. It has become a problem for the children studying in the buildings where the preschool and day care center conducting at the Kappatipola sub office that certain doors and win doors are in disappled condition.
- c. An unsecured building of the Thannekubura sub office is used as a store and only 260 iron bars valuing to Rs.257,015 are stored in the building even up to 31 December 2017.

3.4.2 Idle Assets

Fore hand tractors, 2 tractor trailers, a motor grader, a compactor and a firetruck with a total value of Rs.14,770,868 were idle and parked in the sub office of Kappetipola for a long time

3.5 Procurement

3.5.1 Procurement Plan

A procurement plan had not been prepared by the Council for the year under review.

4. Good Governance and Accountability

4.1 Budgetary Control

It was observed that there were considerable variations in the budgeted revenue and expenditure for the year under review with the actual revenue and expenditure and that indicating the budget had not been used as an effective instrument of management control.

4.2 Internal Audit

A proper internal audit of the Pradeshiya Sabhawa had not been conducted for the year 2017.

5. System and Controls

Weaknesses observed when audit had been informed to the Council time to time and special attention is needed in the following areas of control.

System	Weaknesses
a. Accounting	i. Library books not accounted correctly. ii. Not identified and accounted year ended stocks.
b. Income Administration	Not taking action to recover arrears of rent relating to previous year
c. Creditors and Debtors	i. Not taking action to settle the creditor and debtor balances. ii. Not taking action to get on time debtor balances.
d. Fixed Assets	i. Not assessing of some assets. ii. Parking machinery and equipment unsecured in the Council premises.