

**Welikanda Pradeshiya Sabha
Polonnaruwa District**

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year 2019 had been presented for the Audit on 28 February 2020 and the Summary Report of the Auditor General on the financial statements and the Detailed Management report had been forwarded to the Chairman on 30th June 2020.

1.2 Qualified Opinion

In my opinion except for the effect of matters described in the basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Welikanda Pradeshiya Sabha as at 31st December 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for the Qualified Opinion

(a) Accounting Policies

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Court Fines and stamp duty income had not been accounted on accrual basis.	Should be accounted on accrual basis.	Not replied.

(b) Accounting Deficiencies

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(i) Court fines income for the January to November of the year under review had been less accounted by Rs.1,333,667 and arrears of court fine income for the months of December had not been accounted.	Income should be correctly identified and accounted.	By the time of preparing financial statements, information had been received only up to month of July.
(ii) Although Rs.142,375 had been earned by renting the JCB machine and tipper, a Rs.112,375 had only been accounted in the financial statements.	Should be correctly accounted.	Rent income had been less accounted due to changing of the income votes.

(c) Unreconciled Accounts

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) A difference of Rs.164,390 had been appeared in the billed water charges arrears of Rs.18,865,535 in water charges reports and Rs.19,029,925 in financial Statements as at 31 st December 2019.	Correct value should be accounted.	Water charges billed for the LG Farm had not included in the billed income for the year.
(ii) A difference of Rs.182,190 had been appeared in billed industrial tax, business tax and trade license fees of Rs.813,540 in the data report and Rs.631,350 in the financial statements.	Correct value should be identified and accounted	Advertisement board income also has been included in the business tax, Trade license and industrial tax.

(d) Lack of Documentary Evidence necessary for audit

Audit Observation	Recommendation	Comments of the Accounting Officer
Necessary information for the audit of 09 account subjects of Rs.355,324,466 had not been presented to the audit.	Evidence for the confirmation of accounting balances in the financial statement should be presented.	It is accepted that the received way of land and buildings and clear information about the ownership had not with the sabha and actions are taken to acts in more regular way in implementing development activities and transferring assets. Board of survey had been done by this moment and actions will be taken to presents reports to audit.

1.4 Non Compliances

Non Compliances with Laws, Rules, Regulations and Management Decisions are as follows.

Audit Observation		Recommendation	Comments of the Accounting Officer
Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-Compliance	
	Rs.		
(a) Pradeshiya Sabha Act No 15 of 1987			
(i) Clause 152 (I)	15,000	Businesses, industry tax had not been charged relevant to 05 telephone towers in the sabha territory area.	Actions should be taken to charge fees from telephone towers. It had been informed to relevant institutions by the letters to recover arrears.
(b) Pradeshiya Sabha rules (Financial and administrative) in 1988			
(i) Rule 59		A list of trades and businesses of the territory area of the sabha had not been prepared.	Lists of industry and businesses should be prepared and presented in due date. Due to unavailability of permanent revenue inspectors, survey was unable to be done in due time.

(ii)	Rule 185	24,298,929	Actions had not been taken to invest extra money although balance of the current account throughout the year was between Rs.13 million to 24 Million.	Actions should be taken to invest extra money and earn income.	Accepted. Actions will be taken future.
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(c) Financial Regulations of Democratic Socialist Republic of Sri Lanka

Financial regulation No 371(5) revised by the public finance circular no 3/2015	88,500	Advance money taken at 4 times in the year under review had been settled with a delay from 92 to 152 days.	Advances should be settled without delay.	Accepted. Actions will be taken to act carefully.
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1.5 Receivable and Payable Accounts

(a) Receivable Accounts

Audit Observation

Adequate actions had not been taken to recover Rs.35,279,567 of 09 items of receivable account balances in the financial statement for more than 01 to 14 years.

Recommendation

Actions should be taken to recover arrears.

Comments of the Accounting Officer

Actions will be taken to recover receivables in the future.

(b) **Payable Accounts**

 Actions had not been taken to settle Rs.13,986,835 of expenditure creditors in financial statement as at end of the year under review from 01 to 05 years

Actions should be taken to settle creditor balances.

Action will be taken to get Rs.468,474 for government income, to reimburse Rs.2,359,561 and Rs.7,644,221 from divisional secretariat and Department of local government respectively and to pay Rs.3,514,579 in future.

2 Financial Review**2.1 Financial Results**

 According to the financial statements presented, the excess of revenue over recurrent expenditure for the year ended 31st December 2019 amounted to Rs.5,123,800 and compared to that excess of revenue over recurrent expenditure in the previous year was Rs.5,346,930.

2.2 Revenue Administration**2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Arrears of Revenue**

 Information relating to the Estimated Revenue, Billed Revenue, Collected Revenue and Arrears of Revenue for the year under review and previous year appear below.

Source of Revenue	2019				2018			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 st December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 st December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	359,000	574,500	574,500	(215,500)	493,600	392,600	392,600	101,000
Rent	4,934,740	4,690,144	4,713,627	221,112	4,922,946	1,667,450	1,946,644	2,976,297
License fees	1,342,500	700,530	700,530	641,970	1,050,000	2,843,262	2,843,262	(1,793,262)
Other	20,384,800	9,177,139	22,384,046	(1,999,246)	16,005,413	9,555,744	22,547,570	(6,242,157)
Total	27,021,040	15,142,313	28,372,703	(1,351,664)	22,471,959	14,459,056	27,730,076	(4,958,122)

2.2.2 Rates and taxes

	Audit Observation	Recommendation	Comments of the Accounting Officer
(a)	Actions had not been taken to recover arrears tax of Rs.554,918 from 12 businesses which are letting annually.	Actions should be taken in accordance with clause 159(1) of the pradeshiya sabha Act.	Legal actions will be taken for recovering arrears income.
(b)	Rent		
(i)	The arrears income from 35 stalls and 7 fish stalls were Rs.1,999,178 by the end of year under review and out of that 1,354,562 was in arrears from 2 to 4 years. Actions had not been taken to recover adequately that arrears money.	Actions should be taken to recover.	Actions will be taken to recover arrears of income in future.
(ii)	From 13 stalls of Sevanapitiya stage one, rent had been charged per month 2,500 without valuation.	Actions should be taken to value and recover.	Although it had been valued, valuation reports had not been received from valuation department.
(iii)	Although Rs.6,000 monthly should be charged from 10 stalls of Sevanapitiya second stage from 1 st May 2018 according to the assessment, of department of valuation Rs.700,000 had been lost because of charging Rs.2,500 monthly from 01 May 2018 to 31 st December 2019.	Actions should be taken to charge rent according to the assessment of valuation department.	A committee was appointed by the General Assembly held in 16.01.2019 for legal advises for this and General Assembly decided to do future activities after discussion by the committee.
(iv)	From 07 stalls out of 13 stalls in Sevapitiya stage three, Rs.1,500 monthly had been charged without a valuation.	Rents should be charged by doing a valuation.	Although it has been valued, the valuation report had not been received from valuation department.
(v)	Rs.3,300 from each one of 05 stalls in Sevanapitiya stage three, and Rs.3,000 from stall no 07 should monthly be charged, Rs.210,000 had been lost due to charging Rs.1,500	Actions should be taken to charge rent according to the assessment of valuation department.	A committee was appointed by the General Assembly held in 16.01.2019 for legal advises for this and

monthly from 1st May 2018 to 31st December 2019.

General Assembly decided to get future activities after discussion by the committee.

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| (vi) | The total arrears of stalls rent Income as at 31 st December 2019 were Rs.1,999,178 and out of that Rs.1,335,463 equals to 88 percentage were due from 36 stalls of Sevanpitiya shopping complex. | Actions should be taken to recover arrears quickly or to get legal actions. | Arrears of few stalls had been recovered and other arrears are being recovered by installments. Actions are being taken to get legal actions for the tenants who are not paying arrears. |
| (vii) | According to the condition 01.11 of the agreement of Sevanapitiya stalls, although the power has vested to recover arrears and transfer stalls to the Pradeshiya Sabha when payment of rent is omitting continually 03 months, action had not taken regarding 23 tenants who omitted the payment from 09 months to 04 years. | Arrears should be recovered by acting as per the agreements. | Actions will be taken according to the conditions of the agreement in future. |

2.2.3 License Fees

----- Audit Observation

Recommendation

Comments of the Accounting Officer

Rs.412,615 of license fees were in arrears from the business in sabha territory area as at 31st December 2019.

Actions should be taken to recover license fees.

Actions will be taken to charge license fees in 2020 by identifying business through a survey.

2.2.4 Court fines and Stamp Duty

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Recommendation

Comments of the Accounting Officer

Court fines due from Chief secretary and other authorities of the provincial

Actions should be taken to identify and recover arrears.

Actions will be taken to identify and recover all

council were Rs.9,071,135 and stamp duty from July 2018 had not been identified.

court fines and stamp duties.

3 **Operating Review**

3.1 **Performance**

The following matters were revealed with regards to duties to be fulfilled by the Sabha in terms of section 3 of the Pradeshiya Sabha Act No. 15 of 1987 such as regularization and control of matters relating to public health, common utilities and public roads, healthy environment of the public, amenities and welfare etc.

(a) **Action Plan**

Audit Observation

Recommendation

Comments of the Accounting Officer

Although an action plan had been prepared in accordance with the public finance circular no 1/2014 for the achieving the activities as per the clause 126 of the Act by imposing the bylaws, the activities included, had not been implemented.

Actions should be done in accordance with the action plan.

Accepted. Activities included to action plan of the years 2020 are being implemented.

(b) **Solid Waste Management**

Audit Observation

Recommendation

Comments of the Accounting Officer

Daily collected garbage of 02 tons is being removed to the land in Athugala belongs to sabha and it had not been able to make a regular solid waste management methodology.

Recycling of garbage and regular solid waste management methodology should be made.

Accepted. There was no a compactor for the transport of garbage for the sabha. Written and oral request had been made for that. Proposals had been made to construct a indigestible garbage sales center under the development program of 2020.

(c) Sustainable Development Goals

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| (i) | Although Sabha had been aware about sustainable development goals introduced by the United Nations Organization, goals relating to Sabha had not been identified correctly from that goals, and there was no methodology for collecting data to measure goals and targets. Financial Provisions for achieving the sustainable development targets in year 2017, 2018, 2019 had not been identified. Methodology for training the personnel of the entity for achieving targets and other state institutions which should be get connected to achieve targets had not been identified. | Identifying the goals relevant to Sabha, making a methodology for collecting data, financial allocation, identifying connected entities should be done. | Agreed. |
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3.2 Human Resources Management

- | Audit Observation
----- | Recommendation
----- | Comments of the
Accounting Officer
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|---|--|---|
| (a) Secretary post, 06 posts of development officers and a technical officer were in vacant from many years. | Actions should be taken to fill the necessary vacancies. | Vacancies had not been filled although requests had been made from local government department orally and wittingly. |
| (b) 08 officers including a driver, 03 watchers, 02 posts of health labor and 02 posts of meter readers had been recruited on casual basis. | Cadre should be revised as the necessary. | Recruitment had been made on casual basis due to inadequate cadre which was existed before 14 years when sabha was started. |

3.3 **Assets Management**

3.3.1 **Idle and underutilized Resources**

Audit Observation

11 units of assets valued to Rs.2,541,776 were in idle from a long period and it is unable to get a confirmation about the idle time period.

Recommendation

Actions should be taken to utilize effectively.

Comments of the Accounting Officer

Actions will be taken to use the assets which are usable after repairing and to dispose the assets which are not repairable according to the recommendations of the board of survey report of 2019.

3.3.2 **Annual Board of Survey**

Audit Observation

Board of survey reports relating to the year under review had not been presented to the Auditor General.

Recommendation

Board of survey reports should be presented to the Auditor General.

Comments of the Accounting Officer

Board of survey relating to the year under review had been done by this time.

4 **Accountability and Good Governance**

4.1 **Internal Audit**

Audit Observation

An adequate Internal Audit check had not been done regarding the transactions of the sabha.

Recommendation

Internal audit should be done.

Comments of the Accounting Officer

Actions will be taken to do internal audit activities from year 2020.

4.2 Audit and Management Committee

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>Only 01 audit and management committee had been held for the year 2019.</p>	<p>-----</p> <p>Audit and management committee should be held.</p>	<p>-----</p> <p>Accepted. Action will be taken to hold Audit Committee in future.</p>