

**Wellawaya Pradeshiya Sabha
Moneragala District**

1. Financial Statements

1.1 Presentaton of Financial Statements

While Financial Statements for the year 2018 had been presented to audit on 11 March 2019, the summary report of the Auditor General relating to those financial statements on 28 May 2019 and detailed management report on 31 May 2019 were sent to the Chairman of the Sabha.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the part, basis for qualified opinion in my report the financial statements give a true and fair view of the financial position of the Wellawaya Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

(a) Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
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(i) While Debtors Provision amounting to Rs. 2,027,364 had not been made for 02 works for which provisions made under Criteria Based Development Program and in respect of 15 material grants, Creditors Provision amounting to Rs. . 1,766,578 relevant to 02 works above too had not been made.	Accounts should be correctly prepared.	Adjustments will be made for corrections during the year 2019.
(ii) Recurrent expenditure payable amounting to Rs. 24,861 relevant to the year under review had not been accounted.	Accounts should be correctly prepared.	Adjustments will be made for corrections during the year 2019.

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| (iii) | Stamp Fees amounting to Rs. 117,000 relevant to January and February months of the year under review and a sum of Rs. 12,313 receivable for acting in the post of librarian during October to December from the Uva Provincial Council had not been accounted. | Accounts should be correctly prepared. | Adjustments will be made for corrections during the year 2019. |
| (iv) | Provisions made for debtors and creditors had been overstated in a sum of Rs. 40,711 for 2 works completed during the year under review. | Accounts should be correctly prepared. | Adjustments will be made for corrections during the year 2019. |
| (v) | Sixty five blocks of lands belong to the Sabha had not been assessed and accounted. | Accounts should be correctly prepared. | Adjustments will be made for corrections during the year 2019. |
| (vi) | Publicity Advertisements Board Charges amounting to Rs. 430,990 Receivable for preceding year had not been accounted. | Accounts should be correctly prepared. | Adjustments will be made for corrections during the year 2019. |
| (vii) | Business Tax for transmission towers amounting to Rs. 57,000 and Rs.27,000 respectively for the preceding year and the year under review had not been accounted. | Accounts should be correctly prepared. | Adjustments will be made for corrections during the year 2019. |
| (viii) | Value of Tube Wells Repair Kit received as a donation on 05 January of the year under review had not been identified and taken to accounts. | Accounts should be correctly prepared. | Adjustments will be made for corrections during the year 2019. |
| (ix) | Un-identified revenue and payables to various parties amounting to Rs. | Items of accounts should be correctly identified and. | Adjustments will be made for corrections during the year 2019. |

398,173 had been accounted as General Deposits without being identified and accounting under relevant accounts.

(b) Contingent Liabilities

Audit Observation	Recommendation	Comments of the Accounting Officer
While 6 cases had been filed by 4 outside patties against the Sabha as at 31 December of the year under review, information relating to those had not been disclosed in the financial statements.	Contingent Liabilities should be disclosed in the financial statements.	Will be disclosed as a note in future.

(c) Non-reconciled Control Accounts

Audit Observation	Recommendation	Comments of the Accounting Officer
Although there was a credit balance of Rs. 545,572 in the Works Advances Account according to the General Ledger, according to the Works Advances Register it had been Rs. 10,914, showing a difference of Rs. 534,658.	Differences in the relevant balances should be reconciled and action should be taken to correct.	Although the sum of Rs.. 10,914 was paid to obtain a quality report for laying block stones on a road, it was not suitable and therefore the work was not implemented. The sum of Rs. 534,658 is an amount payable for the purchase of block stones. It had not been possible to make payment due to lack of correct information

(d) Lack of Evidence for Audit**Audit Observation****Recommendation****Comments of the Accounting Officer**

Non-submission of Register of Fixed Assets, Revenue Register, schedules and individual balances for 3 items of assets amounting to Rs.184,980,401 and for an item of Liability amounting to Rs. 36,710.

Evidence confirming account balances should be submitted.

Instructions were given to relevant officers to update the Register of Fixed assets and to obtain individual balances.

1.4 Non-compliance**Non-compliance with Laws, Rules and Regulations.****Reference to Laws, Rules and Regulations****Comments of the Accounting Officer****(a) Pradeshiya Sabha****Act No. 15 of 1987**

Section 140

Rates had been recovered during the year under review on the basis of an assessment made in the year 2012, without assessing the properties timely for recovering Rates.

Assessment should be done in terms of the Act.

Action is being taken to make assessments during the year 2019.

(b) Establishments**Code of the Democratic Socialist Republic of Sri Lanka.**

Staff Loans totaling Rs.

Clause 4 in Chapter XXIV	132,598, shown in accounts over a period of more than a year, due from 56 employees who were in service of the Sabha had not been recovered.	Action should be taken to recover staff loans.	These employees are not in service at present. Action will be taken to write-off through the Minister in charge of the subject after referring to Audit and Management Committee.
(c) Extra Ordinary Gazette No. 1597/8 dated 17 April 2009.	Certificates of Conformity had not been issued relevant to 46 building plans approved during the years 2015 and 2016, having inspected relevant constructions.	Certificates of Conformity should be issued after inspecting relevant constructions as per gazette notification.	While it has been notified in writing to obtain certificates, a part had been already issued. Action will be taken to issue other certificates after inspection.

2 Financial Review

2.1 Financial Results.

According to the financial statements presented excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2018 amounted to Rs.419,066,13 as compared with corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 14,984,246 .

2.2 Revenue Administration

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

-----Estimated

Revenue, Billed Revenue, Revenue Collected and Arrears of Revenue

at 31 December for the year under review and the preceding year as furnished are shown below.

Source of Revenue	Estimated Revenue	2018			Total Arrears as at 31 December	2017			Total Arrears as at 31 December
		Revenue Billed	Revenue Collected	Rs.		Revenue Billed	Revenue Collected	Rs.	
	Rs.	Rs.	Rs.	Rs..	Rs.	Rs.	Rs.	Rs.	
(i) Rates and Taxes	6,055,383	6,046,520	2,234,194	3,812,326	6,100,000	6,052,614	2,508,700	3,543,914	
(ii) Rent	15,600,000	10,443,422	7,066,285	3,377,137	14,620,000	10,686,712	8,687,680	1,999,032	

(iii)	License Fees	1,150,000	1,011,150	1,011,150	-	900,000	1,247,527	1,247,527	-
(iv)	Other Revenue	1,759,150	1,665,345	1,665,345	-	1,500,000	812,486	812,486	-
	Total	<u>24,564,533</u>	<u>19,166,437</u>	<u>11,976,974</u>	<u>7,189,463</u>	<u>23,120,000</u>	<u>18,799,339</u>	<u>13,256,393</u>	<u>5,542,946</u>

2.2.2 Performance in Revenue Collection

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Out of Revenue billed during the year under review amounting to Rs. 19,166,437 a sum of Rs. 7,189,463 or 37 percent had not been recovered.	----- Arrears of revenue should be recovered.	----- While there was a decline in revenue collection due to problematical situation of the revenue inspectors and administrative changes, revenue collection is in progress by engaging officers as groups.

2.2.3 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Sabha had not paid attention to identify developed areas after 1986 and recover rates	Developed areas should be declared and rates should be recovered accordingly.	Activities of the revenue sections were overlooked due to lack of a revenue inspector. Action will be taken in due course to widen rates area of authority.
(b) A list of public, religious, charitable, educational and household properties to be exempted from rates had not been prepared and maintained.	A Register of Rates Exemption should be prepared.	Subject officers were instructed to prepare a register.
(c) A methodology had not been introduced to assess annual value of buildings constructed in the rates area of authority having obtained approval of the planning committee and recover rates accordingly.	Action should be taken to assess annual value and recover rates accordingly.	A committee has been appointed to identify rates units and to assess and recover rates for the buildings constructed.

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| (d) | While out of Rates Revenue at the beginning of the year under review amounting to Rs.8,934,365 a sum of Rs. 7,094,802 or 79 percent had not been recovered. | Arrears of rates should be recovered. | Progress of rates recovery has been declined due to lack of officers suitable to perform the duties of the revenue inspector and objections of the rate payers and traders' association. |
| (E) | Out of Rates Revenue billed during the year under review amounting to Rs. 6,046,520 a sum of Rs. 3,812,325 or 63 percent had not been recovered as at 31 Decrmbere of the year under review. | Arrears of rates should be recovered. | Area of authority was divided into 4 parts and special team was entrusted with the responsibility for recover of arrears relating to 2018 and prior period. |

2.2.4 Property Income

Audit Observation

Recommendation

Comments of the Accounting Officer

There was balance of Rs. 4,893,748 outstanding for the year under review and past years on account leasing out 13 properties belong to the Sabha.

Arrears of lease rent should be recovered.
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Although the officers served at that time had not taken action to recover the arrears for number of years ago, letters have been issued in order to recover all arrears closer to the year under review. Recoveries will be made through legal action in due course.

2.2.5 Stalls Rent

Audit Observation

Recommendation

Comments of the Accounting Officer

Rent amounting to Rs. 3,796,240 had not been recovered from 94 stalls leased out, belong to the Sabha as at 31 December 2018.

Arrears of rent should be recovered.

Some stalls at the bus stand and in the super market complex have been closed without as iat was unable to lease out. Progress in revering rent has been declined due to protests by the stall holders. Recovering arrears had been minimized due to vacant posts of revenue inspectors. Action will be taken to lease out the stalls not leased out.

2.2.6 Telephone Transmission Towers Revenue

Audit Observation	Recommendation	Comments of the Accounting Officer
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A sum of Rs. 84,000 as Rs 57,000 for the preceding year and as Rs. 27,000 for the year under review due from 19 transmission towers belong to 3 establishments and erected in the area of authority of the Sabha had not been recovered.	Arrears of revenue should be recovered.	Letters have been sent to the institutions to recover the arrears, and amounts will be recovered in due course.

2.2.7 Permanent Publicity Advertisements Boards Revenue

Audit Observation	Recommendation	Comments of the Accounting Officer
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A sum of Rs. 430,990 due for the preceding year on account of 10 permanent advertisements boards established by 8 establishments in the area of authority of the Sabha had not been recovered.	Arrears amounts should be recovered.	While reports of the revenue inspector were not received for recovery of arrears, a report has been given having carried out a full survey in the town.

2.2.8 Other Revenue

Audit Observation	Recommendation	Comments of the Accounting Officer
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A sum of Rs. 686,320 due as Rs. 614,820 for the past years and a sum of Rs. 73,500 as for the year under review for hiring out	Arrears machinery should be recovered.	of rent be While a sum of Rs. 59,500 out of arrears for the year 2018 has been recovered, action will be taken to recover the balance amount. While files are being scrutinized

machinery belong to the Sabha had not been recovered

for the recovery of arrears of past years, information will be sent in due course.

2.2.9 Court Fines and Stamp Fees

Audit Observation

Recommendation

Comments of the Accounting Officer

Court Fines amounting to Rs. 2,637,154 and stamp fees amounting to Rs. 4,877,459 were outstanding to be recovered as at 31 December of the year under review.

Arrears of court fines and stamp fees should be recovered.

Schedules required for the recovery of court fines are being prepared and will be recovered soon. Stamp fees schedules relevant to the year 2018 will be prepared and forwarded.

3. Operating Review

3.1 Performance

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public thoroughfares, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

(a) By-laws

Audit Observation

Recommendation

Comments of the Accounting Officer

Although by-laws should be imposed to perform 30 main tasks under Section 126 of the Pradeshiya Saba Act, by-laws had not been imposed for 7 tasks out of those even as at 31 December of the year under review.

By-laws should be imposed for tasks for which by-laws have not been imposed.

Draft by-laws are being prepared to embrace balance 7 tasks.

(b) Action Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
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An Action Plan was not available for the year under review.	An Action Plan should be prepared for the year 2019.	Action has been taken to assign duties for the preparation of Action Plan for the year 2019.

(c) Solid Wastes Management

Audit Observation	Recommendation	Comments of the Accounting Officer
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(i) While action had not been taken to acquire Aanapallama Land used for disposal of garbage by the Pradeshiya Sabha, a methodology had not been introduced to produce carbonic fertilizer using decomposing garbage.	Action should be taken to acquire land and to produce carbonic fertilizer.	It has been agreed to provide a part of land belongs to Department Forests Conservation and therefore it is expected to construct an electrical fence and a trench around the land for protection from elephants, before construction of the garbage yard.
(ii) A proper methodology had not been introduced for documentation, storage and marketing daily collected solid wastes which has a commercial value.	A proper methodology should be introduced for documentation, storage and marketing solid wastes which has a commercial value.	After construction of the garbage yard, action will be taken to get sorted wastes and thereafter to record those.

(d) Sustainable Development

Audit Observation	Recommendation	Comments of the Accounting Officer
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Although the Sabha was aware of the “Sustainable development Agenda – 2030” of the United Nations, indexes for measuring sustainable development objectives and targets applicable to the Sabha had not been	Indexes for measuring sustainable development objectives and targets applicable to the Sabha should be identified and	Although some officers are aware of those, it had not been possible to identify the goals and objectives due to lack of fair understanding.

identified.

accordingly the program in reaching those goals should be measured annually.

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) J.M.Kumaradasa Memorial Conference Hall was in a depleted condition due to non-use for about 03 years and failure in carrying out maintenance works.	Maintenance works should be done and utilize for a useful purpose.	Will meet the occupant personally and inform to remove his goods. If he fails to do so, Attorney General will be consulted for future action.
(b) Action had not been taken to lease out 12 stalls in the super market complex belongs to the Sabha and 03 stalls in the bus stand upper floor.	Action should be taken to lease out stalls.	Necessary steps for leasing out stalls are being taken in consultation with the office of the Commissioner of Local Government.
(c) While the land of the Mahawelamulla Housing Complex constructed through the Pradeshiya Sabha in 2016 had not been vested, action too had not been taken to complete the works of the housing complex and provide to the laborers.	Action should be taken to vest the land, complete the works of the housing complex and provide to the laborers.	Requests have been made to the Divisional Secretary to vest the land.
(d) 22 Field and Sanitary Laborers had been engaged on other duties outside the duties relevant to the posts.	Should be engaged on duties relevant to the posts.	Due to lack of adequate number of employees for watchers service in pre-schools, libraries, crematoriums, conference halls and public latrines and lack of two revenue inspectors, they have been engaged for revenue collection.
(e) Action had not been taken for disposal of 03 vehicles removed from running.	Action should be taken for disposal of vehicles which should be disposed.	While information was obtained from Provincial Mechanical Director in connection with 3 vehicles to be disposed, further action will be taken.

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| (f) | Although recovery of tax for removing garbage had been notified having embraced the Garbage Bylaw published in the Gazette No. 520/7 dated 23 August 1988, attention had not been made in that connection. | Action should be taken for recovering Garbage Tax. | Garbage Tax will be recovered after formal construction of Garbage Yard. |
| (g) | A survey had not been carried out with regard to permanent publicity advertisements boards exhibited in the area of authority of the Sabha by various institutions and individuals. | A survey should be carried out with read to permanent publicity advertisements boards. | A survey has been done with regard to permanent advertisements boards for the year 2019. Action will be taken to |
| (h) | Action had not been taken to issue environmental protection permits to 126 business entities functioning in the area of authority of the Sabha, liable to obtain environmental protection permits and for 28 time elapsed permits. Due to that, an income of Rs.616,000 had been lost. | Business entities liable to obtain environmental protection permits should be identified and permits should be issued accordingly. | While subject officers were instructed to carry out surveys, action will be taken to issue permits immediately after completion of that. |
| (i) | A survey had not been carried out for the year under review with regard to establishments liable to pay trade license fees and business tax in the area of authority of the Sabha. | Surveys should be carried out annually. | A survey has been carried out for the year 2019. |

3.3 Human Resources Management

Audit Observation

Recommendation

Comments of the Accounting Officer

Cadre Information

There was an excess of 40 employees relevant to 05 posts and 03 vacancies

Action should be taken to get

While 8 Development Officers have been approved through internal

in the approved cadre of the Sabha as at 31 December of the year under review.

approval for the excess cadre and to fill the vacant posts.

balancing by the Deputy Chief Secretary (Personnel Training) balance 9 individuals have been made permanent through P.A..C 25/2014. Balance 23 is casual, substitute and contract basis employees.

3.4 Assets Management

3.4.1 Non- Vested Assets

Audit Observation

Recommendation

Comments of the Accounting Officer

While an annual survey of Lands and Building belong to the Sabha had not been carried, out, action had not been taken to carry out survey works of 76 lands identified and to identify the extent of those.

Lands belong to the Sabha should be surveyed and partitioned.

Action will be taken during the year 2019 to survey the lands identified without dispute.

3.4.2 Vehicles Utilization

Audit Observation

Recommendation

Comments of the Accounting Officer

Fuel consumption of 09 vehicles belong to the Sabha had not been tested as per paragraph 3.1 in Public Administration Circular No. 30/2016 dated 29 December 2016.

Fuel consumption should be tested as per instructions given in the circular.

Although attempts were made to test the fuel consumption in number of instances, it could not be done and therefore it had been informed in writing to the Depot Engineer.

3.5 Procurement

Procurement Plan

Audit Observation

Recommendation

Comments of the Accounting Officer

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

Procurement Plan should be prepared according to the approved annual budget.

Budget for the year 2019 was prepared and a Procurement Plan has been prepared.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation

Recommendation

Comments of the Accounting Officer

According to the budget prepared for the year under review, when estimated revenue and expenditure are compared with the actual revenue and expenditure for the year, variations from 12 percent to 48 percent in 04 revenue items and variations from 13 percent to 96 percent in 08 expenditure items were observed.

A realistic budget should be prepared and goals shown therein should be achieved.

Works were performed utilizing plant and machinery of the Sabha covering all divisions and therefore income expected from plant and machinery was not received. While crematorium income too were not received to the expected level, while unsettled pension contribution were settled. These variation took place accordingly.

4.2 Internal Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
An Internal Audit had not been done for the year under review.	An Internal Audit should be carried out.	Although an Internal Audit officer has been appointed, it had not been possible to work on full time basis. Will be carried out properly during the year 2019.

4.3 Audit and Management Committees

Audit Observation	Recommendation	Comments of the Accounting Officer
Audit and Management Committees had not been Conducted for the year under review as per Circular No. DMA/2009(01)dated 9 June 2009 of Management Audit Department relating to Internal Audit Guidelines.	Sabha should establish an Audit and Management Committee.	Although there was no separate committee, all Pradeshiya Sabha in Moneragala District conducted one joint committee meeting per quarter.