

Wellawaya Pradeshiya Sabha
Monaragala District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 13 May 2014 and the financial statements for the preceding year had been presented on 28 May 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 27 August 2014.

1.2 Opinion

In my opinion except for the effects on the financial statements of the matters referred to in my report the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Wellawaya Pradeshiya Sabha as at 31 December 2013 and the financial results of its operations and cash flows for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

- (a.) Court fines receivable as at end of the year under review amounted to Rs.5,300,415 whilst it had been accounted as Rs.9,800,415 thus, overstating the revenue by Rs.4,500,000.
- (b.) The Jeep bearing No.32-1134 given to the Sabha by the Integrated Rural Development Project on 10 April 2006 had not been acquired by the Sabha, assessed and brought to account.
- (c.) The difference of Rs.2,989,430 between the financial statements of the preceding year and the general deposits account had been adjusted to the accumulated fund. But, action had not been taken even during the current year to find out the reasons for this difference and to rectify it.

1.3.2 Unreconciled Control Accounts

The total of the balances of 02 items of accounts was Rs.226,525 as per schedules submitted with the financial statements and the balance as per subsidiary records was Rs.432,011

1.3.3 Accounts Payable

- (a.) Audit fees payable by the Sabha for the 21 years from 1988 to 2000; 2002 to 2008 and 2010 to 2011 amounted to Rs.401,716. A provision of Rs.372,359 had been made in the accounts under sundry creditors. However, action had not been taken up to date to settle the audit fees.
- (b.) Water charges amounting to Rs.2,069,392 payable to the National Water Supply and Drainage Board for various buildings and locations of the Sabha during number of years had continued to be brought forward without being settled.
- (c.) The balance of the contributions to the Local Government Pensions Fund payable as at end of the year under review amounted to Rs.945,320 and action had not been taken to settle this balance during the year under review.
- (d.) According to the letter dated 24 December 2012 it had been informed that as the Value Added Tax has been cancelled and therefore to remit the tax recovered before 31 December 2012. Nevertheless Value Added Tax amounting to Rs.1,816,234

recovered from year 2005 to March 2013 had been retained in the account as deposits payable.

- (e.) Action had not been taken even during the year under review to identify the relevant parties and to settle the house rent amounting to Rs.63,585 deposited in the Sabha by the occupants of the houses rented from year 2005 to 2013.
- (f.) Stamp fees amounting to Rs.184,636 recovered from year 2008 to 2013 had been retained in the general deposits account without being remitted to the Commissioner General of Inland Revenue.

1.3.4 Accounts Receivable

Action had not been taken to recover employees loans amounting to Rs.142,890 which had remained unrecovered for over a number of years from 60 employees not in service at present.

1.3.5 Lack of Evidence for Audit

Three items of assets totaling Rs.190,058, 262 and 02 items of liabilities amounting to Rs.25,076,972 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

1.3.6 Non-compliance with Laws, Rules and Regulations

Non-compliance with following laws, rules and regulations were observed in audit.

<u>Reference to Laws, Rules, Regulations etc.</u>	<u>Non-compliance</u>
(a.) Pradeshiya Sabha Act No.15 of 1987 ----- (i.) Section 158 and 159 (ii.) Section 136	- Revenue in arrears amounting to Rs.50,789,622 as at and of the year under review had not been recovered. - Action had not been taken to get assess the rent of the stalls owned by the Sabha through the Department of Valuation.
(b.) Financial Regulation 237 of the Republic of Sri Lanka	- Stock certificates had not been submitted in respect of materials and equipment valued at Rs.707,294 purchased for various purposes.

1.3.7 Irregular Transactions

- (a.) According to the letter No.12/B/06/Additional Fuel dated 25 January 2012 of the Commissioner of Local Government, the monthly fuel limit allocated to the Cab of the Sabah is 312 Liters. The approval of Additional Commissioner-Monaragala should be obtained for 200 Liters of fuel used in excess of the said limit, and the approval of the Commissioner of Local Government should be obtained for number of Litres of fuel above that limit. However, 2117.66 Litres of fuel valued at Rs.256,870 had been used during the year under review, without such approval.

- (b.) Seventeen Procurement Committee meetings had been held during the year under review and a sum of Rs.63,750 had been paid at Rs.750 per committee meeting and attendance sheets in terms of 2.9.1 of the Procurement Manual had not been submitted along with the payment records.
- (c.) Toyota Van bearing No.UP-MB4790 had been given to the Sabha for a period of 02 weeks from 01 to 14 May 2013 by letter No.12/B/06/01(vehicles) dated 30 April 2013 of the Commissioner of Local Government until the Cab bearing No.252-6335 owned by the Sabha is repaired and put to use. However, the van had been used from May to 27 August of the year under review without approval and a sum of Rs.346,026 had been spent for 2850.3 litres of fuel. Further, the Cab No.252-6335 owned by the Sabha also had been used for the same period and a sum of Rs.90,443 had been spent for 745 liters of fuel.
- (d.) Private vehicles had been hired for various purposes at 05 instances during the year under review and a sum of Rs.74,150 had been spent from the Sabha funds and the approval of the Commissioner of Local Government had not been obtained for the above.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December of the year under review amounted to Rs.11,674,949 as compared with the excess of revenue over recurrent expenditure amounting to Rs.2,199,078 for the preceding year.

2.2 Revenue Administration

2.2.1 Lease Rent

Action had not been taken to call for tenders and lease out 07 out of 32 stalls of the New Super Market Complex during the year under review.

2.2.2 Lease of Cinema Halls

J.M.Kumaradasa Conference Hall owned by the Sabha had been given to a person for 05 years lease from 01 September 2011 for holding Cinema shows and security deposits amounting to Rs.65,492 including Value Added Tax and stamp fees also had been obtained. However, the Cinema Hall had not been commenced even by 16 June 2014; the date of audit examination and the Sabha had not earned any income from the above.

2.2.3 Wellawaya Weekly Fair

- (a.) Wellawaya weekly fair had been leased out for Rs.1,920,000 for the year under review too, at the lease amount for the preceding year without calling for tenders; according to 1988 Pradeshiya Sabha (Financial and Administrative) Rules 177 and 178 contrary to the Procurement Guidelines of the Government-2006

- (b.) The monthly lease installment of Rs.160,000 of the Wellawaya weekly fair should be paid on or before 10th of the following month. Fines for delay amounting to Rs.29,783 had been recovered during the year under review, as it had not been done accordingly.

2.2.4 Lease of Beef Stalls

A letter submitted by an organization of the area making an offer of Rs.1,000,000 to get the beef stall on lease had been tabled at the monthly meeting held on 31 January of the year under review. However, the Sabha had signed an agreement on 30 January 2013 to lease the beef stall at Rs.811,250. Accordingly, the Sabha had deprived of an income of Rs.188,750.

2.2.5 Lease of Fresh Water and Sea Fish Stalls

The fresh water and sea fish stall had been leased to a certain lessee at Rs.500,000 for the year under review and fines for delay amounting to Rs.19,041 recoverable for the delay in payment of lease rent on due date according to the agreement had not been recovered.

2.2.6 Other Revenue

Action had not been taken to recover a charge not exceeding 1% of the turn-over of the preceding year from 01 hotel and 04 lodges carrying out business within the area of the Sabha that had been registered or approved by the Ceylon Tourism Promotion Authority for the purposes of Section 149 of the Pradeshiya Sabha Act No.15 of 1987 and the Tourism Promotion Act No-14 of 1968.

2.2.7 Court Fines and Stamp Fees

Money receivable as at 31 December 2013 from the Chief Secretary of the Provincial Council and other authorities are shown below.

	Rs.
Court Fines	15,505,533
Stamp Fees	1,442,800

2.3 Surcharges

Surcharges of Rs.70,338 levied by me in terms of Section 172(3) of the Pradeshiya Sabha Act No.15 of 1987 against the persons responsible had been recoverable as at 31 December 2013.

2.4 Irregular Transactions

The Public Lavatory at the Bus Stand had been given on lease to a lessee at an annual lease of Rs.220,000 for the year under review. According to Section 18 of the agreement the monthly electricity charges should be paid by the lessee. However, the Sabha had paid electricity charges amounting Rs.25,860 for January to July 2013.

2.5 Transactions of Contentious Nature

An expenditure of Rs.72,867 had been incurred for the period January to October 2013 in respect of the electricity consumption relating to Meter No.730-1034 of the garden electric lamps of the New Shopping Complex. A physical examination carried out at 12.45 p.m. on 12 November 2013 revealed that the meter was working even though all the garden lights were switched off. Accordingly it was observed that payments have to be made for more than the actual consumption in respect of this electricity connection.

2.6 Idle Assets

Action had not been taken to dispose of 03 unusable vehicles owned by the Sabha according to the provisions of the letter No.PCMD/PR/2013 dated 05 June 2013 of the Secretary to the President.

2.7 Solid Waste Management

(a.) The Sabha had prepared an action plan for solid waste management and the Department of Forests Conservation had given an annual permit for the relevant land on 16 January 2012. But, action had not been taken to implement the plan.

(b.) An environmental pollution had been arisen, due to the spread of waste such as polythene all over area of waste disposal site.

2.8 Budgetary Control

Significant variances were observed between the income and expenditure estimated in the budget prepared by the Sabah for the year under review and the actual income and expenditure of the year. Therefore, the budget had not been made use of as an effective tool of controlling income and expenditure.

3. Systems and Controls

Special attention is needed in respect of the following areas of systems and controls.

- (a.) Accounting
- (b.) Internal Control
- (c.) Revenue Administration