

Welimada Pradeshiya Sabha
Badulla District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 30 March 2015 while Financial Statements relating to the preceding year had been submitted on 31 March 2014. The Auditor General's Report relating to the year under review was issued to the Chairman of the Sabha on 04 June 2015.

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 Welimada Pradeshiya Sabha as at 31 December 2014, its financial performance for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

- (a.) Instead of adjusting the value of Stamp Revenue received amounting to Rs. 278,777 in excess of the Stamp Fees Revenue Debtors provided at the beginning of the year under review in respect of preceding years to the Accumulated Fund, it had been accounted as revenue for the year under review. Due to that, revenue for the year had been overstated in a sum Rs. 278,777 in the financial statements.

- (b.) The sum of Rs.783,313 payable to Local Government Service Pension Fund as at 31 December of the year under review had been accounted as Rs.690,916 under the Creditors. Due to that, liabilities as at end of the year under review had been understated in a sum Rs. 92.397 in the financial statements.

- (c.) Value of 488 flag posts received to the Sabha amounting to Rs.482,398 had not been accounted. Due to that value of assets and Contribution from Revenue to Capital Outlay account had been understated in the financial statements to that extent
- (d.) Although the Salaries and Allowances payable as at 31 December of the year under review was Rs. 3,269,916, it had been accounted as Rs. 3,474,236. Due to that, expenditure for the year and Liabilities as at 31 December had been overstated at the rate of Rs. 204,320 in the financial statements.

1.3.2 Accounts Receivable and Payable

According to the financial statements submitted, the value of Accounts Receivable balances as at 31 December of the year under review was Rs. 59,062,614 and the value of Accounts Payable balances had been Rs. 72,469,113.

1.3.3 Lack of Evidence for Audit

Transactions totalling Rs. 22,817,724 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

The following instances of non-compliance with 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 Section 149	- Although a sum not exceeding 1 per cent of the receipts of the preceding year of the Lodging Houses approved by the Tourism Promotion Board should be recovered as License Fees, such fees had not been recovered from 05 Lodging Houses.

(b.) Financial Regulations of the Republic of Sri Lanka

(i.) Financial Regulation 371

- Advances amounting to Rs.686,958 paid to Officers of the Sabha and outside parties in 24 instances during the period from the year 1999 to 2013 had not been settled.

(ii.) Financial regulation 571

- Deposits amounting to Rs. 3,100,718 deposited in the Sabha in 558 instances that had exceeded more than two years after deposit had not been cleared.

(c.) Section 04 of Chapter xxiv of the Establishments Code of the Republic of Sri Lanka

- Staff Loans amounting to Rs.40,503 due from 06 employees who were in service of the Sabha and deceased and vacated post had not been recovered.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabah for the year ended 31 December 2014 amounted to Rs. 26,007,502 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 10,564,207. Accordingly a favorable variance of Rs. 15,443,295 was observed.

2.2 Revenue Administration

2.2.1 Performance of Collection of Revenue

Progress relating to recovery of arrears of revenue at the beginning of the year under review was at a weak level.

2.2.2 Lease Rent

- (i.) Rent in arrears amounting to Rs. 742,092 payable by the lessees who obtained the right to sell in the stalls No. 58 and No. 59 for the year 2011 had not been recovered.
- (ii.) Arrears of Rent due to be recovered amounting to Rs. 1,055,511 as at December 2014 on the basis of defaulting payment of rent by the lessees who had taken the stalls in the New Market complex had not been recovered.

2.2.3 Court Fines and Stamp Fees

Court Fines and Stamp Fees due from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2014 are shown below.

	Rs.
Court Fines	10,567,073
Stamp Fees	16,007,171

	26,574,244
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3. Operating Review

3.1 Drainage Project

Following matters are observed.

- (a.) Although the Drainage System constructed in the Welimada Town having paid a sum of Rs16,811,019 to a Consultancy Firm under the Local Government Infrastructure Facilities Improvement Project had been handed over to the Sabha on 14 January 2013 after completion, out of the 176 units planned to be connected, connections had been given to only 10 consumers even up to December 2014.
- (b.) While it had not been possible to operate the Project due to non-laying of connecting pipes in the relevant places, when action was taken to provide the connections, money recovered from certain consumers too had been refunded.

- (c.) While a loan of Rs. 34,142,123 had been obtained from the Local Loans and Development Fund on behalf of this Project, it had not been possible to earn an adequate income from the Project to cover at least the relevant interest.

3.2 Management Inefficiencies

While the lease agreement relating to the land belong to the Pradeshiya Sabha Head Office perimeter leased out on the basis of 30 years had not been assessed by the Valuation Department once in five years according to clause 1.3 in the agreement to determine lease amount , recovery of lease rent had been continuously neglected. Action had not been taken in terms of the conditions in the lease agreements and provisions in the Circular No. SP/RD/02/10 dated 03 March 2010 of the Secretary to the President with regard to 05 properties of which the relevant lease period had been lapsed by July 2011 and May 2014.

3.3 Operating Inefficiencies

- (a.) The sum of Rs. 50,000 provided for the Project for providing drinking water to about 50 families in the lower section of the Haggala Estate under Criteria Base Development Proposals in 2014, had been returned without taking action to get fulfilled that work through the society to which the relevant Project was assigned. Due to that, benefits to be accrued to the people in the area of authority of the Sabha had been lost.
- (b.) Action had not been taken to recover charges for carrying on communication towers in the area of authority of the Sabha by imposing bylaws.
- (c.) Salaries amounting to Rs. 1,700,352 and Members Allowances amounting to Rs. 156,500 which should have been got reimbursed during the period between the years from 2006 to 2012 had not been reimbursed.

3.4 Idle/ Underutilized Assets

Following Assets remained idle.

- (a.) Three Wheeler Vehicle No. 204-8982 purchased for Rs.138,650 during the year 1993.

- (b.) Following assets in the Keppetipola Sub –office Ground.
 - (i.) Sun tech Type Hand Tractor
 - (ii.) Tractor N. 270-0431
 - (iii.) Trailer
 - (iv.) Rotor Master Tractor and the Plough
- (c.) Stores Building in size of 20’x12’ at Keppetipola Sub –office
- (d.) Land at Uda Demodara

3.5 Identified Losses

- (a.) The sum of Rs. 359,988 that could not be recovered from the Insurance Company out of the expenditure incurred for repairing the vehicle after accident to the Cab Vehicle No. 252-6331 belongs to the Sabha, had not been recovered from the Chairman responsible for the accident, causing a loss of Rs. 359,988 to the Sabha Fund.
- (b.) A Desk Top Computer valued at Rs. 77,500 and 05 Hoe Blades totalling to a value of Rs.4,250 provided to the Sabha through the Local Government Infrastructure Facilities Improvement Project had been misplaced

3.6 Solid Waste Management

Welimada Town had become very unclean due to stacking heaps of garbage from place to place and it had become a big challenge to public health due to environmental pollution.

4. Systems and Controls

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

- (a.) Accounting
- (b.) Revenue Administration
- (c.) Assets Management