

Wellawaya Pradeshiya Sabha

Monaragala District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Auditor General on 10 April 2015 while Financial Statements relating to the preceding year had been submitted on 06 May 2014. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabah on 16 July 2015.

1.2 Opinion

I am of opinion that except for the effect on the financial statements of the matters referred to in paragraph 1.3 of this report, that the financial statements had been prepared in accordance with Sri Lanka Public Sector Accounting Standards and give a true and fair view of the financial position of the Wellawaya Pradeshiya Sabah as at 31 December 2014, financial results of its operation and cash flows for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following matters are observed.

- (a) Action had not been taken to assess and account for the Land and Buildings belong to the Sabha.
- (b) The actual value of the Tractor Vehicle received from the Ministry of Local Government and Provincial Councils during December month of the year under review had not been assessed and the insured value of Rs. 1,500,000 had been accounted.

1.3.2 Accounts Receivable Payable

- (a) Action had not been taken to settle the Audit Fees payable by the Sabha amounting to Rs. 330,812 for 19 years relevant to the period from the years 1988 to 2000 and 2002 to 2008.
- (b) Action had not been taken to settle Water Charges payable by the Sabha amounting to Rs. 2,117,805 that was being brought forward over a number of years.
- (c) The balance of the Local Government Pension Contribution Payable as at the end of the year under review was Rs. 957,412.
- (d) The Value Added Tax amounting to Rs. 1,813,914 recovered during the period from the year 2005 to March 2013, had been held in the Deposits Payable Account without being remitted to the Commissioner General of Inland Revenue.
- (e) Action had not been taken to recover Staff Loans in arrears amounting to Rs.133,191 which had remained un-recovered over a number of years and due from 60 employees who are not in service of the Sabha at present.

1.3.3 Lack of Evidence for Audit

Five items of Assets totalling Rs. 182,672,702 and two Items of Liabilities amounting to Rs. 34,140,985 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

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 19 (1) (i)	- A sum of Rs. 595,498 had been paid as Gross Salary, Employees Provident and Employees Trust Funds contributions,

having recruited 10 employees to the posts of Library Assistant, Driver and Laborers on substitute and casual basis without written prior approval of the Commissioner of Local Government during the year under review.

(ii.) Section 132 (j) and (k)

- Payments amounting to Rs. 425100 had been made as Students Assistance and Medical assistance during the year under review, without obtaining the approval of the Minister.

2. Financial and Operating Review

2.1 Financial Results

According to the Financial Statements presented, the excess of revenue over recurrent expenditure for the year ended 31 December 2014 amounted to Rs. 2,213,369 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.11,668,370. Accordingly, net decrease in the financial results had been Rs.9,455,001.

2.2 Revenue Administration

2.2.1 Arrears of Revenue

Action had not been taken to recover Arrears of Revenue totalling Rs. 47,541,689 as at the end of the year under review in terms of Sections 158 and 159 of the Pradeshiya Sabha Act No. 15 of 1987.

2.2.2 Rates

- (a) While Rates Revenue Billed during the year under review was. 5,889,209, a sum of Rs.1,786,076 had been collected as current tax even as at the date of end of the year under review. It was at a low value such as 30 per cent of the Total Bill Value.

- (b) While the opening balance of Rates Revenue as at the date of commencement of the year under review was Rs. 5,929,812, out of that Revenue in Arrears, a sum of Rs.1,828,354 had been recovered during the year. Accordingly, percentage of recovery had been 31 per cent while the Rates in Arrears had gone up annually.

2.2.3 Lease Rent

- (a) Wellawaya Weekly Fair had been leased for a sum of Rs. 1,920,000 for the year under review to the same lessee who got the lease for the year 2013.
- (b) Although the monthly lease installment of Rs. 160,000 of the Wellawaya Weekly Fair should be paid before 10th day of the ensuing months, a sum of Rs.295,600 being penalty due for the year under review had not been recovered.

2.2.4 Rent of Stalls

- (i) Action had not been taken to lease out 07 stalls in upstairs of the Bus Stand and 11 stalls in the new shopping Complex.
- (ii) Although the initial payments had been paid for Stalls Nos. 02, 03, 12, 27, 28 and 29 of the New Shopping Complex, action had not been taken to sign the agreements.
- (iii) Action had not been taken to assess the stalls rent belong to the Sabha in terms of provisions in the Circular No. 1980/46 dated 31 December 1980 of the Commissioner of Local Government.
- (iv) Although the Stalls No. 38 and 39 of the New Super Market Complex had been given to the Ministry of Fisheries with effect from 07 August 2013, approval of the Commissioner of Local Government had not been obtained for that.

2.2.5 Other Revenue

Action had not been taken in terms of provisions in Section 149 of the Pradeshiya Sabha Act No. 15 of 1987 to recover a tax not exceeding 1 per cent of the receipts of the preceding year to the relevant year from one hotel and four lodging houses registered in terms Tourism Promotion Act No.14 of 1968 for the functions of the Sri Lanka Tourism Promotion Authority or approved by that.

2.2.6 Court Fines and Stamp Fees

Amounts Receivable as at 31 December 2014 from the Chief Secretary to the Provincial Council and other authorities are shown below.

	Rs.
Court Fines	1,409,491
Stamp Fees	1,424,881

2.3 Surcharges

Value of surcharges outstanding to be recovered as at 31 December 2014 in connection with surcharges imposed by me against the persons responsible in terms of Section 172 (3) of the Pradeshiya Sabha Act No 15 of 1987 was Rs. 70,338.

3. Operating Review

3.1 Operational Inefficiencies

- (a) While Daihatsu Jeep bearing No. 32-1134 had been handed over to a private entity for repairs on 15 March 2013, an advance of Rs. 100,000 ad been paid on 30 January 2014. While the Jeep had been brought back to the Sabha on 27 August 2014 and had been parked in Sabha Ground without carrying out repairs, action had not been taken to recover the advance money.
- (b) While payments amounting to Rs. 381,009 had been made on account of 3,100 liters of diesel and 10 liters of oil for the Cab Vehicle bearing No. 252-6335 for the period from January 2014 to 12 May, running charts relating to utilization of this fuel were not submitted to audit.

- (c) Although the Local Authorities should function as a supplier of services for operations and maintenance of street lamps on the basis of paying fees in terms of clause 2.1 of the letter dated 17 August 2010 of the Secretary to the Ministry of Power and Energy, a sum of Rs.534,082 had been incurred out of the Sabha Fund without taking action accordingly. Details with regard to method of fixing, type of lamps to be fixed and number of lamps etc. had not been reported.
- (d) While 11 employees recruited for the posts of Electrician, Field Laborer, Sanitary Laborer, Machine Operator and Driver on casual and substitute basis during the years 2009 and 2013 and the year under review had been appointed to permanent service on 24 October of the year under review, they were not included in the approved cadre of the Sabha. A sum of Rs.14,692,055 had been paid for them as Salaries, Employees Provident Fund and Employees Trust Fund.

3.2 Improper Transactions

- (a) A sum of Rs. 120,000 had been paid for hire of vehicle No. KR-7838 for duties of the Chairman from 30 June 2014 to 21 July 2014, without Sabha approval and the approval of the Commissioner of Local Government.
- (b) While a sum of Rs. 100,000 had been paid for hire of vehicle No. PF-4182 for duties of the Chairman from 01 to 31 August 2014, 130 Liters of Fuel valued at Rs. 15,769 had been utilized for the Sabha Cab Vehicle No. 252-6335 for the same period as well. Accordingly two vehicles had been used for the same period. It was not possible in audit to get confirmed the nature of duties engaged, as running charts had not been maintained as specified.
- (c) A sum of Rs. 78,440 had been paid for hire of vehicles for visiting various places for various works without approval from the Commissioner of Local government.

- (d) A sum of Rs. 930,550 had been spent for the purchase 503 water meters from a private entity for Pubuduwewa drinking water supply under Criteria Based Development Scheme - 2013. While calling for quotations for the purchase of water meters had not been properly done, it had not been referred to a Technical Evaluation Committee before purchasing the water meters. A sum of Rs. 264,075 had been overpaid as the water meters had been purchased at price higher than the market price prevailed.

4. 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
- (d) Vehicles Control