

Welikanda Pradesiya Sabha

Polonnaruwa District

1 Financial Statement

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 17 March 2017 and the financial statements for the preceding year had been presented on 03 May 2016. The report of the Auditor General for the year under review was issued to the Secretary of Sabha on 29 June 2017.

1.2 Qualified Opinion

In my opinion, except of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the Welikanda Pradeshiya Sabha as at 31 December 2016, its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following deficiencies were observed

- (a) The recurrent income Rs.200,000 received on 20 March 2016 for Sarasavi Sanhinda Kala Ulelahad been accounted as a capital income.
- (b) The capital expenditure Rs.215, 000 for Provincial Decentralized Program had been accounted under supplies and equipment as a recurrent expenditure.
- (c) Capital expenditure valued Rs. 446,440 expended for Pradeshiya Sabha Strengthening National Program had been accounted under capital assets repairing and maintaining expenses as recurrent expenses.
- (d) The receivables Rs.1, 499,528 for Palath Palana Marga Sathiya Progame from North Central Provincial Ministry and the payable Rs.1, 257,211 to a fuel filling station had been omitted from debtors and creditors of the financial statements.

1.3.2 Un-reconciled Control Accounts

A difference of Rs 248,148 observed between the balances of financial statements and the given subsidiary records for 05 account subjects.

1.3.3 Accounts Receivable and Payable

The following facts were observed.

- (a) Actions had not been taken to recover the Receivable Rs.32, 049 for employee loans and interest and court fines Rs.1, 000,000 from Dimbulagala Pradeshiya Sabha which had been appeared in the accounts since more than period of 10 years.
- (b) Creditors for expenditure valued to Rs 468,474 shown in the accounts since 11 years, had not been settled.

1.3.4 Lack of Evidence for Audit

Eight account subjects totaling to Rs.279, 732,485 could not be satisfactorily vouched in audit due to the non-submission of, documents proving ownership, survey reports, subsidiary records and income registers.

1.3.5 Non- compliances with Laws, Rules, Regulations etc.

Noncompliance to the following laws, rules, regulations and management decisions were observed.

Reference to the laws, Rules, Regulations	Non compliance
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(a) Pradeshiya Sabha (Financial & administrative rules) 1988 -----	
(i) Rule No. 21	Receipts had not been issued for the money received to the payee by the officer in charge at Welikanda Water Purifying Center.
(ii) Rule No.59 to 63	Actions had not been taken to prepare and forward a list of Trade Enterprises and professions by 31 March or before that to secretary.
(iii) Rule No. 67	Although Trade License Fees and Industrial Taxes should be recovered based on an annual surveys to carried out and a list prepared including decreases and increases in the number of trading places and industries, such course of action had not been taken relevant to the year under review.

- (iv) Rule No.180
Actions had not been taken to get security deposits from officers who had entrusted with the administrative power of money and income according to the Guarantee Ordinance Act.
- (v) Rule No.203
Overall survey on Sabha property had not been done since 2009 up to 2016.
- (b) **Financial Regulations of North Central Provincial Council of Democratic Socialist Republic of Sri Lanka**

Rule No.261.2.2
It was observed that settlement of advance payment Rs.134, 000 had been delayed by 01- 9 1/2months.
- (c) **Circulars and Circular letters.**

Letter of Commissioner of Local Government NCP/LG/AC/04/01/02 dated 04 December 2015
Although vehicle assigned to the Chairman could be used by the secretary under maximum level of fuel 150 liters per month, it was observed that 3649 liters of fuel valued to Rs.346, 655 had been used over the permitted level.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of recurrent revenue over recurrent expenditure of the Sabha for the year ended 31 December 2016 amounted to Rs. 4,135,860 as compared with the excess of revenue over expenditure amounting to Rs.1, 120,053 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information furnished by the Secretary of the Sabha relating to Estimated Revenue, Actual Revenue and Arrears of Revenue relevant to the year under review are shown below.

Item of Revenue	Estimated revenue	Actual Revenue	Cumulative Arrears
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	Rs.	Rs.	Rs.
(i) Tender Lease Rent	9,615,000	2,825,500	525,715
(ii) Lease Rent	1,554,900	206,829	1,473,404
(iii) License Fees	1,075,000	421,125	654,800
(iv) Court Fines	5,400,000	3,902,417	4,367,899

2.2.2 Tender Lease Rent

No any amount had been collected from the arrears tender lease rent at the beginning of the year Rs.525, 715

2.2.3 Lease Rent

The collected incomes during the year from the arrears lease rent Rs. 638,303 was only 45 percent of the arrears income Rs. 1,394,536.

2.2.4 License Fees

Only Rs. 500 had been collected from the arrears license fees Rs. 655,300 at the beginning of the year.

3. Operational Review

3.1 Management Inefficiencies

Following matters were observed

- (a) Two road labours and work inspector who employed in office duty without assign duties up to July 2016 had been attached two road labours for library and work inspector for field duty since August 2016.
- (b) It had not been able to confirm the amount of the road lamps belongs to the Sabha and which road lamps should be repaired because the records including details about road lamps that fixed in the authority area of the Pradeshiya Sabha was not maintained by the Sabha.
- (c) Although it was disclosed that Health Labour belongs to the primary level employed as acting Revenue Administrator had defrauded Rs. 460,660 approximately since 2008, proper investigation had not been done about it and labour belong to the primary level had been recruited again for this post since 31 st January 2017.

3.2 Operational Inefficiencies

- (a) Revenue records had not been maintained to identify revenue that received on operation of two water browser and Bako machine.

- (b) Water needed for the project of being constructed new Pradeshiya Sabha Building that given on contract basis to private company have been giving without charging any money.
- (c) Although it was disclosed that the Cab using by the Secretary of the Sabha had not been parked on Pradeshiya Sabha premises at night time and parked on Thamankaduwa Pradeshiya Sabha premises, it was not mentioned in daily running charts any time.

3.3 Contentious Transactions

210 of flag posts valued Rs. 239,142 out of 368 of galvanize flag posts, that given to the Pradeshiya Sabha by Divinaguma Development Department in December 2014 had been lost but action had not been taken to identify responsible officers by proper investigation and charge losses from them.

3.4 Idle and underutilized Assets

Following matters were observed

- (a) A package of equipment for production of rice flour related produces valued at Rs.613, 500 given by North Central Province Chief ministry in the month of April 2008 and February 2009 had been idled for over 08 years since 31 st March 2017.
- (b) Three vehicles belong to the pradeshiyaSabha had been idled from 06 month to 03 years
- (c) 56 of Tube Well Equipment Systems given by the Sri Lanka Mahaweli Authority in 2009 had been idled and stored over a period of 07 years.

3.5 Contract Administration

Plans and Estimates for roads developed under 2016 Rural Roads Development Week Program had not been prepared and Names and Distance Amounts in developed roads had not been presented separately.

3.6 Solid Waste Management

Following Matters were observed.

- (a) The Building constructed Welikanda fair premises for implementation of Solid Waste project expending about Rs. 750,000 in 2007 had been idled over a period of 09 years. It is observed in physical investigation at 31 March 2017 that there are only few concrete posts and wall parts in this building now.
- (b) While a proper waste management procedure was not in operation in the area of authority of the Sabha, garbage were being dumped into a land extent of about 05 acres that given by Sri Lanka Mahaweli Authority in Senapura. It was observed that environmental problems may be arisen in future because; this land is situated near to the Baticaloea main road adjoining to the Welikanda town and improper waste removing.

3.7 Human Resources Management

Following matters were observed.

- (a) Permanent officer had not been recruited to the post of Secretary that vacant from 01 August 2014 and investigation officer had been recruited to cover the duty up to 19 May 2016 and first class officer of Management Assistance Service had been recruited to cover the duty from 20 May 2016.
- (b) The Officer recruited as technical assistance on the casual basis from 01 August 2011 and confirmed as road labour from 24 October 2014 had been acting as technical officer over a period of about 05 years and 01 KKS and health labour had been appointed in the post of revenue administrator.
- (c) It was observed that vacancies in 10 approved posts and excess in 13 posts at the end of the year under review.

04. Systems and Control

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

- (a) Revenue Administration
- (b) Endue Duty to Officers
- (c) Debtor/ Creditor Control
- (d) Stores Administration
- (e) Internal Control
- (f) Vehicle Administration