

Wellawaya Pradeshiya Sabha

Monaragala District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2017 had been submitted to Audit on 28 March 2018 while the Auditor General's Report relating to those financial statements has been sent to the Chairman on 20 June 2018.

1.2 Qualified 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 Wellawaya Pradeshiya Sabha as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following accounting deficiencies were observed in audit.

- (a) Seventeen blocks of land owned by the Pradeshiya Sabha had not been assessed and brought to account.
- (b) The net fence valued at Rs.1,628,766 erected around the Wellawaya Anapallama Cemetery during the year under review had not been capitalized.
- (c) The land, 36 perches in extent valued at Rs.500,000 situated at Moragahahenyaya which had been granted to the Sabha by the Deed No.1207 on 24 March 2017 had not been brought to account.
- (d) Value Added Tax amounting to Rs.1,813,132 paid in the construction of Wellawaya Anapallama Cemetery building under the Puraneguma Project, as well, had not been capitalized.
- (e) The Bulky waste Compress machine valued at Rs.682,000 received from the Puraneguma Project during the year under review had not been brought to account.
- (f) Equipment worth totalling Rs.262,592 received by the Wellawaya Public Library from the Ministry of Local Government and Provincial Council under the Library Automation Project had not been brought to account.

- (g) As a sum of Rs.37,500 had been understated in capitalizing office equipment valued at Rs.64,125 purchased for the Wellawaya Public Library, furniture and fittings and **revenue contribution to the capital input** had been understated by that amount.
- (h) The value of the finished works of the development of the road Tract 36 from the Sunanada Kade under the Estate Marginal Villages Programme had been overstated by Rs.300,000 in the accounts under the works aid receivable.
- (i) Expenditure of Rs.116,774 payable as at 31 December of the year under review had not been brought to account.
- (j) The discount amounting to Rs.134,308 given in the recovery of the Rates for the year under review had been credited to the Outstanding Rates Account without being credited to the Rates Account.
- (k) Criteria based provisions amounting to Rs.121,030 received relating to the ensuing years had been brought to account as the other revenue receivable.

1.3.2 Non-reconciled Accounts

 Although a credit balance of Rs.397,572 was shown in the Work Advance Account as per the common ledger, it was a debit balance of Rs.160,914 according to the Work Advance Schedule.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

- (i) Action had not been taken even in the year under review to recover a sum of Rs.639,270 receivable from hiring the J.C.B machine and the motor grader of the Sabha during the preceding year.
- (ii) Action had not been taken even in the year under review to recover the other balances totalling Rs.217,454 receivable relating to the preceding years.
- (iii) Advance of Rs.100,000 paid during the year 2014 to a private institution for repairing a Jeep owned by the Sabha had not been taken back although the repair had not been carried out.

(b) Accounts Payable

 Balances payable totalling Rs.636,537 relating to the preceding years had not been settled even during the year under review.

1.3.4 Lack of Evidence for Audit

Since the necessary information had not been made available, 03 items of accounts totaling Rs.47,259,276 could not be satisfactorily verified in audit.

1.3.5 Non-compliance

Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with laws, rules, regulations and management decisions are specified below.

<u>Reference to laws, rules, regulations and management decisions</u>	<u>Value</u> Rs.	<u>Non-compliance</u>
(a) <u>Pradeshiya Sabha Act No.15 of 1987</u> (i) Section 21 (2)	-	The inventory pertaining to the roads and ways of the Sabha had not been updated.
(ii) Sections 158,161,162,163 and 166	6,458,686	Action had not been taken on the Rates in arrears.
(b) Public Administration Circular No. 30/2016 dated 29 December 2016. Paragraph 3. i	-	Fuel consumption test had not been conducted on 7 vehicles of the Sabha.
(c) Section 04 of the Public Finance Circular No.02/2015 dated 10 July 2015.	-	Even though action should be taken to dispose of the disused assets before 10 October 2015, action had not been so taken on 04 disused vehicles of the Sabha.
(f) Extraordinary Gazette No.1816/43 dated 28 June 2013 of the Chief Minister and the Minister in charge of the subject of Local Government of the Uva Province.	-	The Sabha had not taken necessary action to monitor the unauthorized trade stalls and mobile trading, control and issue a licence for that purpose and regularize those activities.

02 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 2017 had been Rs.14,984,246 as compared with the corresponding excess of revenue over recurrent expenditure of Rs.12,600,603 for the preceding year.

2.2 Revenue Administration

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

Details on the estimated revenue, billed revenue, collected revenue and revenue in arrears relating to the year under review and the preceding year are given below.

<u>Source of Revenue</u>	Estimated Revenue	2016			Total Arrears as at 31 December	2017			Total Arrears as at 31 December
		Billed Revenue	Collected Revenue	Estimated Revenue		Billed Revenue	Collected Revenue		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
(i) Rates and Taxes	6,100,000	6,094,213	2,577,954	3,516,258	6,100,000	6,078,864	2,522,700	3,556,164	
(ii) Rents	10,295,000	11,240,685	8,249,725	2,990,959	15,120,000	12,146,357	9,562,055	2,584,302	
(iii) Licence Fees	2,001,200	1,262,387	1,252,937	9,450	902,000	1,248,155	1,248,155	-	
(iv) Other Revenue	3,687,500	21,702,935	14,006,089	7,696,846	3,875,000	20,050,908	8,520,457	11,530,451	
Total	22,083,700	40,300,220	26,086,705	14,213,513	25,997,000	39,524,284	21,853,367	17,670,917	

2.2.2 Performance in Collecting Revenue

The total billed revenue during the year under review amounted to Rs.40.3 million of which revenue amounting to Rs.26.1 million only had been collected by the end of the year and it was an amount as low as 65 per cent from the total billed value.

2.2.3 Rates and Taxes

- (b) The Rates in arrears relating to the preceding year amounted to Rs.9,238,030 and a sum of Rs.2,779,344 of those Rates in arrears had been collected during the year under review, thus indicating the recovery of Rates in arrears as low as 30 per cent.
- (c) The billed Rates revenue during the year under review amounted to Rs.6,052,614 of which revenue amounting to Rs.2,508,700 had been collected during the year. Accordingly, the recovery of Rates remained at a lower value as 41 per cent.

2.2.4 Rents

- (a) Rent amounting to Rs.2,638,500 had not been recovered by the end of the year under review from 104 trade stalls which had been given on lease.
- (b) Rent of Rs. 447,912 had not been recovered from 04 properties which are given on annual lease.

- (c) Lease rent in arrears amounting to Rs.3,057,372 receivable for leasing out of properties of the Sabha relating to the preceding year had not been recovered even by the end of the year under review.
- (d) Action had not been taken to recover rent of Rs.41,075 receivable from 23 trade stalls which had been demolished in the preceding years.
- (e) Rent of the Community Hall amounting to Rs.38,000 pertaining to the years 2004/2005 had not been recovered even by the end of the year under review.

2.2.5 Licence Fees

(a) Trade Licence

Action had not been taken to recover the charges of Rs.36,000 from 12 transmission towers erected within the area of authority of the Sabha.

(b) Industry Licence

Environmental Protection Licenses that should be issued in terms of Extraordinary Gazette No.1533/16 dated 23 January 2008 under the Rule No.23 of the National Environmental Act No.47 of 1980 had not been issued for 111 industries and as such, a revenue of Rs.444,000 had been deprived of.

2.2.6 Other Revenue

- (a) A survey had not been conducted on the permanent hoardings established by various institutions and persons within the area of authority of Sabha.
- (b) Although notification on the recovery of charges for the permanent hoardings had been published by the Gazette No.1998 dated 16 December 2016, action had not been taken to recover the charges of Rs.577,390 in respect of the hoardings exhibited in 07 locations by 13 institutions.
- (c) Action had not been taken to recover the charges of 1 per cent receivable by the Sabha from the land auctions.
- (d) Action had not been taken to recover a sum of Rs.936,930 by the end of the year under review in respect of hiring machinery of the Sabha.
- (e) Action had not been taken to identify the parking places located in the area of authority of the Sabha, impose by-laws thereon and recovery charges.

2.3.7 Court Fines and Stamp Fees

A sum of Rs.5,475,718 and Rs.5,812,104 had remained receivable from the Chief Secretary and other officers of the Sabha as court fines and stamp fees respectively as at 31 December 2017.

03. Operating Review

3.1 Performance

Matters revealed in the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people in terms of Section 3 of the Pradeshiya Sabha Act, are as follows.

(a) **By-laws**

By-laws should have been made under Section 126 of the Pradeshiya Sabha Act to carry out 30 main activities. Nevertheless, By-laws had been made only for 23 activities by 31 December 2017.

(b) **Action Plan**

Even though the activities that should be carried out by the Sabha as per the By-laws imposed had been determined, an Annual Action Plan had not been prepared.

(c) **Solid Waste Management**

- (i) Although notification had been published on the recovery of garbage disposal charges by the Gazette No.1998 of 18 December 2016, garbage tax had not been recovered.
- (ii) The Sabha had not introduced a methodology for producing compost with the use of degradable garbage.

(d) **Environmental Issues**

- (i) As a permanent wall or fence had not been erected around the land to which garbage was disposed of elephant had used to eat garbage, thus causing harm to their lives.
- (ii) Since non-degradable materials such as polythene, plastic had been disposed of irregularly, those had been spread up to teak cultivation land situated nearby.

(e) **Sustainable Development Goals**

As the Sabha had not been aware of the 2030 Agenda for Sustainable Development Goals, the long-term plans to uplift the living standard and health of the people of the area of authority of the Sabha through the Global indicators relating to those goals, had not been formulated even up to 23 May 2018.

3.2 Management Inefficiencies

- (a) In terms of Financial and Administration (Rules) No.204 of the Pradeshiya Sabha, necessary steps had not been taken on 46 items which had not been made available for the verification of stores.

- (b) Necessary steps had not been taken on 456 books valued at Rs.57,001 of 06 libraries that had not been furnished to the verification of stores.

3.3 Human Resources Management

Employees Loan

Steps had not been taken in terms of Chapter XXIV of the Establishments Code in respect of loan balance of Rs.134, 697 receivable from 57 employees who are not employed in the Sabha at present.

3.4 Operating Inefficiencies

- (a) A methodology had not been introduced to specifically identify, from time to time, the developed areas in the area of authority of Sabha.
- (b) The Revenue Inspectors had not prepared a list of properties which had not been assessed and situated in the arrears declared for recovering Rates and action had not been taken to recovery Rates by carrying out temporary assessment on those properties.
- (c) A methodology had not been prepared for the recovery of Rates from the buildings constructed upon the approval of the Planning Committee within the area applicable to the recovery of Rates by assessing the annual value.
- (d) Action had not been taken to lease out 13 trade stalls of the Sabha even by the end of the year under review.
- (e) Agreements had not been entered into regarding 31 trade stalls given on lease.
- (f) A survey had not been conducted on unauthorized constructions existed within the area of authority of Sabha.
- (g) In terms of Circular No.08/1/38 dated 20 March 1985 of the Director General of Urban Development Authority, 50 building plans approved by the Sabha in the years 2014,2015 and 2016 had not been examined and Certificate of Conformity had not been issued.
- (h) Approval of the Planning Committee in accordance with the Extraordinary Gazette No.392/9 dated 10 March 1986 of the Democratic Socialist Republic of Sri Lanka and the Circular No.08/1/38 dated 20 March 1985 of the Director General of Urban Development Authority, had not been obtained on 37 constructions carried out within the area of authority of the Sabha.

3.5 Assets Management

3.5.1 Assets not taken over

Action had not been taken to take over 48 cemeteraies.

3.5.2 Utilization of Vehicles

Milometer of 04 vehicles of the Sabha had become inoperative and as such running distance of those vehicles and the fuel consumption could not be examined.

3.5.3 Idle/Under Utilized Assets

The J.M.Kumaradasa Memorial Auditorium had remained idle nearly a period of 02 years and it remained dilapidating due to failure in carrying out maintenance.

3.6 Irregular Transactions

With the use of materials valued at Rs.170,600 and G.I.Piles, construction of a housing scheme for labourers had been commenced in January 2016 on a Government land situated at Mahawelamulla which had not been taken over by the Sabha. However, constructions of the said housing complex had not been completed even by the end of the year under review.

3.7 Procurement

3.7.1 Procurement Plan

The Pradeshiya Sabha had not prepared a Procurement Plan for the year under review.

04 Accountability and Good Governance

4.1 Budgetary Control

As significant variances were observed between the budgeted revenue and expenditure, and the actuals of the Pradeshiya Sabha relating to the year under review, the budget had not been made use of as an effective instrument of management control.

4.2 Audit and Management Committee

Action had not been taken to adequately conduct the Audit and Management Committees of the Sabha relating to the year under review.

05. Systems and Controls

Weaknesses in systems and controls observed during the course of audit were brought to the notice of the Pradeshiya Sabha from time to time. Special attention is needed in respect of the following areas of control.

System

Deficiencies of the System

(a) Accounting

(i) Lands had not been brought to account.

(ii) Fixed assets purchased during the year under review had not been brought to account.

(iii) Accrued expenditure had not been brought to account.

(iv) Revenue receivable had not been brought to account.

(b) Assets/Properties

(i) Action had not been taken to take over the lands.