

Welikanda Pradeshiya Sabha

Polonnaruwa District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented for audit on 29 March 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 29 June 2019 and 16 May 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Welikanda Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for the Qualified Opinion

(a) Accounting Deficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
(i). The amount of Arrears Garbage Tax of Rs.200,900 for the year 2017 had been included in the Garbage Tax Income for the year under review.	Should be removed from the revenue of 2018 and adjusted to the accumulated Fund.	Agreed. Actions should be taken to adjust the revenue relevant to the year in the future.
(ii). The amount of Court Fines income billed for August to 31 December 2018 and the amount of Stamp Duty relevant for the year 2018 had not been identified and entered in the Financial Statements.	Should be accounted the amount of Court Fines and Stamp Duty relevant to the year.	Actions would be taken to enter the amounts in the future.

(b) Unreconciled Accounts

Audit Observations	Recommendations	Comments of the Accounting Officer
Difference of Rs.44,537,559 had been appeared among the balances arrears in the Financial Statements as at 31 December 2018 and balances relevant to 06 Revenue Heads.	Actions should be taken to reconcile and correct the differences.	The difference had been appeared because of the difference occurred when allocating the revenue in the revenue heads.

(c) Lack of Necessary Documentary to Evidence for Audit

Audit Observations	Recommendations	Comments of the Accounting Officer
Value of Rs.366,761,372 on 06 items of accounts could not be satisfactorily vouched during the audit due to non rendition of necessary information.	Evidence for confirming the balances of accounts in the financial statements should be furnished.	Agreed that the correct Sabha had no details to prove the Ownership and actions should be taken to regulate.

(d) Receivable and Payable Accounts

Audit Observations	Recommendations	Comments of the Accounting Officer
(i). The accumulated amount of 09 balances arrears for 3 to 17 for the year under review had been Rs.493,615.	Actions should be taken to recover the receivables.	Actions would be taken to recover the balances in the future.
(ii). The accumulated amount of 04 balances of Expense Debtors of Rs.468,474 since year 2005 had not been settled at the end of the year under review.	Actions should be taken to find out the accuracy of the Debt Balances and settle.	Actions would be taken to settle in the future.
(iii). Actions had not been taken to identify and settle the Balances stated as Employee Loan Payable for the years 2006 and 2007 had been Rs.32,049.	Actions should be taken to find out the accuracy of and settle.	Actions would be taken to settle in the future.

1.4 Non Compliances

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

Reference to Laws, Rules, Regulations and Management Decisions	Non Compliances	Recommendations	Comments of the Accounting Officer
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(a) <u>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</u> F.R 756 and 757	A Board of Survey had not been carried out for the year under review.	A Board of Survey should be carried out annually.	Actions would be taken to carry out a Board of Survey for the year 2017.
(b) Section 02(viii) of Circular No.2/2018 on 08 December 2018 of Commissioner Local Authorities	Actions had not been taken to recover the Guaranties from the Officers in charge of the money.	Actions should be taken to recover the Guaranties.	Actions would be taken to take the Guaranties according to the Guarantees Ordinance.

1.5 Transactions not Verified by Necessary Authority

Audit Observations	Recommendations	Comments of the Accounting Officer
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598 Library Books had been discarded and destroyed by the same officer carried out the Board of Survey in the year 2013 without appointing a Board to Discard.	The discard should be carried out by a Board to discard with the recommendation of the Board of Survey.	Actions would be taken after inspection of Board of Survey Reports and Documents in the future.

2. Financial Review

----- 2.1 Financial Results -----

According to the financial statements presented, the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2018 amounted to Rs.5,346,930 as compared with the excess of recurrent expenditure over revenue of the preceding year amounting to Rs.770,804.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2018				2017			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	493,600	392,600	191,700	200,900	909,600	365,000	365,000	-
(ii) Rent	4,922,946	1,930,640	1,794,504	2,698,150	5,667,900	4,495,116	2,823,900	2,562,014
(iii) Licence Fees	1,338,750	2,759,810	2,759,810	651,475	1,067,500	326,720	330,045	651,475
(iv) Other Revenue	38,771,388	37,360,067	32,814,087	16,484,695	30,639,400	5,053,617	17,610,917	11,938,714
Total	45,526,684	42,443,118	37,560,101	20,035,220	38,284,400	10,240,453	21,129,862	15,152,204

2.2.2 Performance in Collection of Revenue

Audit Observations	Recommendations	Comments of the Accounting Officer
Even though Sabha had been estimated Rs.45,526,685 for the year 2018 because Billed Revenue amounted to Rs.42,443,118 a Over estimate of Rs.3,083,567 had been appeared and the Revenue in Arrears for the 31 December of the year under review had been Rs.20,035,221.	Actions should be taken to make an accurate estimate.	Agreed.

2.2.3 Rates and Taxes

Audit Observations	Recommendations	Comments of the Accounting Officer
Rates and Taxes and Rent Income had been at a low rate of 39 per cent and 36 per cent as a Percentage of Estimated Revenue.	Actions should be taken to recover the arrears Revenue	Actions had been taken to identify all the Business places by a survey.

2.2.4 Rents

Audit Observations	Recommendations	Comments of the Accounting Officer
(a). Actions had not been taken to recover the Rents of Rs.208,875 for the years 2001/2002 from the Meat Stall at Katuwanwila and the Welikanda Weekly Fair.	Actions should be taken to recover the arrears income.	Actions would be taken to recover in the future.
(b). Actions had not been taken to recover the Rents of rs.401,693 from 07 persons to whom it had leased Meat Stalls and Weekly Fair in the years 2007 and 2008.	Actions should be taken to recover the arrears income.	Actions would be taken to recover in the future.
(c). The arrears Stall rent from the 31 stalls at Sewanapitiya amounted to Rs.2,080,583 as at 31 December 2018	Legal actions should be taken to recover the arrears income.	Actions would be taken to recover in the future.

and 23 out of them of Rs.1,511,632 had been in arrears over 1-2 years.

- (d). Even though the 50 per cent of Tender Fees amounted Rs.805,750 when leasing the Welikanda Weekly Fair should be paid to the Sabha before 30 June 2017, actions had not been taken by the Sabha to recover the amount and the late fines of Rs.117,313 remained arrears as at 31 December 2018.
- Actions should be taken to recover the arrears income.
- Actions would be taken to recover in the future.

2.2.5 Licence Fees

Audit Observations	Recommendations	Comments of the Accounting Officer
(a). It had been identified 19 Farms within the Sabha Territory but Licence Fees had been limited to 04 farms.	Actions should be taken to charge Licence Fees from all the Farms within the Territory.	A survey had been done in the year 2019 and actions would be taken to recover the money.
(b). The charging the Trade Licence fee had been limited only to 165 out of 512 Institutions listed in the year under review and the arrears Trade Licence Fees Income had not been revealed for the year under review.	The Licence Fees should be charged from the Shops within the territory.	A survey had been done in the year 2019 and actions would be taken to recover the money.

2.2.6 Court Fines and Stamp Duty

Audit Observations	Recommendations	Comments of the Accounting Officer
Recoverable Court Fines as at 31 July 2018 of Rs.9,082,143 from the Chief Secretary and the other officers of the Council had not been recovered as at April 2019.	Action should be taken to reveal and recover the Court Fines.	Inform that the rest of the money would be recovered.

2.2.7 Other Revenue

Audit Observations	Recommendations	Comments of the Accounting Officer
The Water Charges amounted Rs.5,915,070 had not been charged from 741 Clients in the year 2017 and 08 clients in the year 2018 of the Ruhunu Water Project.	Actions should be taken to recover the arrears in revenue.	The Water Charges had being collected now.

3. Operating Review

3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act No.15 of 1987, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) <u>By-laws</u> Even though by-laws should be imposed under the Section 126 of Pradeshiys Sbaha Act, by-laws had not been imposed for 10 matters.	Actions should be taken to regulate the tasks by imposing by-laws.	By-laws had been imposed by the gazette dated 11 January 2019.
(b) <u>Action Plan</u> An action plan had not been prepared under the State Finance Circular No.1/2014 to do the tasks by imposing by-laws under the Section 126 of Pradeshiys Sbaha Act.	Action Plan should be prepared for the tasks expected to complete within the year.	An action Plan had been made for the year 2019.
(c). <u>Targets of Sustainable Development</u>		
(i). Even though the Sabha had aware of the Sustainable Development Targets introduced by United Nations they had not correctly identified the targets relevant to the Sabha.	Should identify the targets of the Sabha.	Actions would be taken with necessary consideration to all the matters in the future.
(ii). There had no processes for collecting data for the indices introduced by the Circular	Should act according to the advices.	Actions would be taken with necessary consideration to all

No. BD/CBD/4/1/2-2018 dated 31 July 2017 of the Department of National Budget when making the budget.

the matters in the future.

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| (iii). | No processes for collecting data for the indices because there had no benchmarks to regulate when the tasks reaching their targets. | Actions should be taken to collect data. | Actions would be taken with necessary consideration to all the matters in the future. |
| (iv). | Sabha had not identified the necessary financial provisions to reach the sustainable development targets in the years 2016, 2017 an 2018. | Actions should be taken to identify and fund. | Actions would be taken with necessary consideration to all the matters in the future. |
| (v). | There was no any process to train the staff of the Sabha when reaching the targets and Sabha had not identified the other government institutions which they should join with when attaining the targets. | Necessary trainings should be carried out. | Actions would be taken with necessary consideration to all the matters in the future. |

3.2 Management Inefficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
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(a). Actions had not been taken to acquire the ownership of 03 vehicles of the Sabha even at the end of the year under review.	Actions should be taken to acquire the ownership.	Actions would be taken to acquire the ownership.
(b). Actions should be taken to bring back the 172 Library Books provided for the members to take out from the year 2016 to 2018.	Actions should be taken to bring back the 172 Library Books.	Actions would be taken to send Letters for the members to bring back those books.
(c). 47 Items of Land and Buildings owned by the Sabha valued Rs.307,738,611 had not longer been to the Sabha.	Actions should be taken to acquire the Ownership.	Actions would be taken to acquire the ownership in the future.
(d). Actions had not been taken to recover 256 flag posts valued of Rs.283,428, which 213 flag posts had been taken by the Member of the Sabha and misplaced, out of 368 flag posts given	Actions should be taken to recover the 256 flag posts.	Informed to take actions to bring them back in the term of Sabha.

by the Department of Divineguyma for the Public Consumption in the year 2014.

3.3 Human Resources Management

----- Audit Observations -----	----- Recommendations -----	----- Comments of the Accounting Officer -----
(a). The Post of Third Level Secretary, 06 posts of Secondary level Programs Assistants, a post of Management Assistant, a post of Technical Officer, and a post of Revenue Inspector had been vacant for number of years.	Actions should be taken to fill up the vacancies.	A request had been made to fill up the vacancies to the Commissioner of Local Authorities.
(b). 02 for Sanitary Labourers, 02 for Meter Readers, 03 for Security Officers, 01 for Drivers had been recruited outside the approved Cadre on Substitute, Casual and Temporary Basis and Actions had not been taken to update the Approved Cadre on the need of these Posts.	Actions should be taken to fill up the vacancies according to the approved cadre and the cadre should be updated accordingly.	Answers had not been provided.
(c). A Technical Officer for the post of Shroff, Water Pump Operator for the Post of Revenue Inspector had been put on service without recruiting permanent officers for those posts.	Actions should be taken to fill up with approved persons.	The Officers had to be put on the service because of the vacancies.
(d). Sabha had not been given proper consideration to recover the Loan balances of 05 officers that had transferred in the years 2013, 2014, and May 2015 of Rs.127,035.	Actions should be taken to recover the Arrears Loan Balances.	Actions would be taken to recover in the future.

(e). The Loan balances of Rs.326,913 had been become irrecoverable because of 04 officers who had been transferred and now interdicted and diseased.

Actions should be taken to recover it from the debtor of the guarantor. Actions would be taken to recover in the future.

3.4 Assets Management

Idle/Underutilized Assets

Audit Observations	Recommendations	Comments of the Accounting Officer
A Machinery Set given by the North Central Province Chief Ministry to the Sabha in the year 2008 and 2009 , for the Productions Based on Rice Flour of Rs.613,500 had been remained idle over 09 years.	The Asset should be transferred to another institution or to another task as it can be utilized or if it cannot be used actions should be taken to discard.	Actions would be taken about it soon.

3.5 Identified Losses

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) Actions had not been taken against a Work Inspector, who responsible for the fraud of the arrears Stall Rent in the years 2015 and 2016, from the Stalls at Sewanapitiya, nearly of Rs.460,600.	Actions should be taken as soon as possible to inspect on misuse of money.	Inform that any Primary Investigation had not been carried out.
(b) Even though according to the Board of Survey Report as at 31 December 2016 a shortage of 479 library books had been identified in the Lists, actions had not been taken on the officers responsible for that as at 10 April 2019.	Investigations on the property of the Sabha should be carried out as soon as possible.	Actions would be taken about this in the future.

3.6 Contract Administration

Audit Observations	Recommendations	Comments of the Accounting Officer
Rs 121,130 had been overpaid for the Curb Walls of a road completed in 2017 by laying interlocking stones.	Should recover the overpaid amounts.	Actions would be taken to deduct the relevant amount and pay.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
Sabha had not been carried out an Internal Audit on the transactions of the Sabha.	Actions should be taken to do an internal audit covering all the tasks.	Actions would be taken do an internal audit in the future.

4.2 Audit and Management Committee

Audit Observation	Recommendation	Comments of the Accounting Officer
Even though the Audit and Management Committee meetings should be hold every 02 months according to the letter No.NCP/CS/01-Audit dated 11 May 2016 of the Chief Minister of the North Central Province, only one Audit and Management Committee Meeting had been hold for the year 2018.	Audit and Management Committee Meetings should be hold every 02 months.	Actions would be taken to hold Audit and Management Committee meetings in the future.