

**Wellawaya Pradeshiya Sabha**

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**Monaragala District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2019 had been presented for audit on 28 February 2020 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 2020.

**1.2 Qualified Opinion**

In my opinion, except for the effect of matters described in the part basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Wellawaya Pradeshiya Sabha as at 31 December 2019 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) 69 lands owned by the Sabha had not been valued and accounted.	All the Assets should be accounted.	Inform that the valuation would be carried out in the year 2020 after allocating the Provisions.
(ii) Even though the arrears in the Stamp fees had been Rs.12,582,422 it had been over accounted by Rs.67,211 as Rs.12,649,633 for the year under review.	The Accounts should be prepared accurately.	Inform that it would be corrected in the financial statements in year 2020.

(b) **Lack of Evidence for Audit**

**Audit Observations**

**Recommendations**

**Comments of the Accounting Officer**

The valuation reports, updated Fixed Assets Registers, Revenue Registers and other documents to prove the balance of Rs.253,886,540 on 03 Items of assets had not been rendered to the audit.

Evidence for confirming the balances declared in the financial statements should be furnished.

Inform that the valuers are being joined by the Department of Local Government actions would be taken accordingly and the Revenue Registers could not be found.

**1.4 Non Compliances**

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

<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Non Compliances</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
(a) <u>Pradeshiya Sabha Act No.15 of 1987</u>			
(i) Section 19(xii)	The approval had not been obtained from the Minister in Charge of the Subject to rent out 58 Stalls owned by the Sabha for 30 years.	The prior approval should be obtained from the Subject Minister.	Inform that the construction of this had been done by the Urban Development Authority therefore the basic actions regarding them would be taken by that institute.
(ii) Section 140	The Rates for the year under review had been charged on the valuation for the year 2012 without doing a new valuation.	A valuation should be done according to the regulations of the Act.	Inform that it would be assessed in the year 2020.

(b) The Financial Regulations of Democratic Socialist Republic of Sri Lanka

F.R.571	Actions had not been taken on 72 deposits balance totaled to Rs.2,234,942 over 02 year.	Actions should be taken according to the Financial Regulations.	Inform that the depositors had been informed to remove their deposits in written and actions would be taken to pay back the security deposits.
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(c) Establishment Code of the Democratic Socialist Republic of Sri Lanka

Section 4 of the Paragraph XXIV	Employee Loan balance of Rs.132,098 of 55 employees had not been recovered for over a year.	Actions should be taken to recover the arrears employee loans.	Most of the officers who involved with the loan balances had been diseased or retired therefore approval of the Minister in Charge of the Subject should be obtained to write off the balances from the accounts if any information regarding the Loaners or the guarantors could not be found.
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(d) Extraordinary Gazette No.1597/8 dated 17 April 2009	Constructions relevant to 41 building plans approved during the years 2014, 2015 and 2016, certificates of conformity had not been issued.	The Certificates of Conformity should be issued after the necessary tests according to the gazette.	The relevant persons had been informed to obtain the Certificates of Conformity in written.
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**2. Financial Review**

**2.1 Financial Results**

According to the financial statements presented for the year ended 31 December 2019, the excess of revenue over recurrent expenditure of the Sabha amounted to Rs. 9,196,471 as compared with the corresponding excess of revenue over recurrent expenditure of the preceding year amounting to Rs. 13,066,419.

**2.2 Revenue Administration**  
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**2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue**  
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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	2019				2018			
	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	6,046,500	6,046,520	2,344,739	3,701,781	6,055,383	6,046,520	2,234,195	3,812,326
(ii) Rent	19,577,253	10,289,853	6,824,672	3,465,181	15,600,000	10,443,422	7,066,285	3,377,137
(iii) Licence Fees	12,020	1,510,828	1,468,828	42,000	1,150,000	1,011,150	1,010,150	-
(iv) Other Revenue	2,279,250	1,413,119	1,413,119	-	1,759,150	1,665,345	1,665,345	-
<b>Total</b>	<b>27,915,023</b>	<b>19,260,320</b>	<b>12,051,358</b>	<b>7,208,962</b>	<b>24,564,533</b>	<b>19,166,437</b>	<b>11,975,975</b>	<b>7,189,463</b>

## 2.2.2 Rates and Taxes

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
(a) The developed areas had been recognized in the year 1986 and the consideration had not been given to widen the rates paid developed areas time to time.	The rates recovered developed areas should be recognized and widened timely.	Inform that a new valuation would be carried out in the year 2020 and widen the rates recovered developed areas.
(b) Rates of Rs.3,791,132 had not been recovered out of the billed rates of Rs.6,046,032 for the year under review and that had been 63 per cent. Also Rs.7,824,260 had not been recovered out of the balance of the rates in arrears at the beginning of the year under review of Rs.10,473,959 and that had been 75 per cent. The Progress of collecting rates had been in a very weak situation and rates of Rs.7,453,867 that should be recovered from 287 units that amount of rates more than Rs.10,000.	The Arrears of rates should be recovered.	The recovering of rates in arrears had been decreased because of the insufficient service of the revenue inspectors and the protests of the lessees and the trade union against the valuation. A special team had been appointed to collect the arrears and all the members had been against to make a new valuation. Inform that actions would be taken to recover the arrears although it had to be stopped recovering temporarily when issuing notices to recover the arrears on the advices of the Political Authority.

## 2.2.3 Property Tax

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
Rs. 4,742,640 of Rent on leasing out 13 Properties owned by the Sabha had not been recovered for the year under review and for the preceding year.	The Arrears of Tax should be recovered.	Rs. 350,458 out of the rent for the year under review had been recovered. There had been weaknesses in recovering of the money because of insufficient revenue inspectors and actions would be taken to collect the revenue in arrears in the future.

#### 2.2.4 Stall Rent

##### Audit Observations

Rent amounting to Rs. 4,942,405 had not been recovered from 96 stalls leased out, belong to the Sabha as at 31 December of the year under review. Also rent of Rs. 22,175 from 16 Stalls demolished that the rent before they were demolished, had not been recovered.

##### Recommendations

Rents in arrears should be recovered.

##### Comments of the Accounting Officer

Rs.298,435 of rent had been recovered as the Month of March. The stall rent could not be recovered because of the protests of the Stall Owners and inform that legal actions would be taken in the future.

#### 2.2.5 Revenue from Telephone Transmission Posts

##### Audit Observations

Tax for 16 Telephone Transmission Posts fixed by 06 Private Companies within the Sabha territory of Rs. 84,000 from the year 2017 to the year 2019 had not been recovered.

##### Recommendations

Revenue in arrears should be recovered.

##### Comments of the Accounting Officer

Rs. 24,000 had been recovered from the arrears regarding the year 2017. Actions would be taken to recover the rest of the amount.

#### 2.2.6 Hoarding Board Charges

##### Audit Observations

Hoarding Board Charges of Rs.530,887 on 38 Advertising Boards fixed within the Sabha had not been charged for the year 2017 and for the year under review.

##### Recommendations

Arrears should be recovered.

##### Comments of the Accounting Officer

Charges on 17 Hoarding Board had been recovered and actions would be taken to recover the rest of the amount.

### 2.2.7 Other Revenue

#### Audit Observations

#### Recommendations

#### Comments of the Accounting Officer

Rs. 634,320 of amount as at 31 December of the year under review that should be recovered for renting of machineries owned by the Sabha from the year 2013 to 2019 had not been recovered.

The arrears Machinery rent should be recovered.

Inform that the Parties that should pay had been informed.

### 2.2.8 Court Fines and Stamp Duty

#### Audit Observations

#### Recommendations

#### Comments of the Accounting Officer

Court Fines of Rs.4,719,260 and Stamp Duty of Rs.12,649,633 to be received as at 31 December of the year under review had not been recovered.

The arrears Court Fines and Stamp duty should be recovered.

Inform that the documents had been prepared and sent for the relevant institution to recover the arrears.

## 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, such as regularization and control of matters relating to public health, public utility services and public thoroughfares, public comfort, convenience and welfare.

#### (a) Action Plan

38 Activities entered in the Action Plan for the year under review had not been completed.

The Activities entered in the Action Plan should be completed.

Inform that the activities could not be completed because of not receiving the expected provisions.

#### (b) Solid Waste Management

The Anapallama land that Sabha had being dumped the garbage had not been acquired to the Sabha and a production of organic Fertilizer using decay garbage had not been commenced.

Actions should be taken to acquire the land and also commence a production of organic fertilizer using decay garbage.

Inform that the land could be acquired and start the production of Fertilizer after the construction of the Garbage Yard.

**(c) Targets of Sustainable Development**

The Sabha had not been identified the targets and the indices for measuring the Progress of the Sustainable Development Targets relevant to the Sabha and achieved them, Even though Sabha had been aware of the “Sustainable Development Goals Agenda of United Nations 2030”

Targets of the Sustainable Development and indices to measure the progress of achieving them should be identified and measured.

Inform that it had been suggested to recognize the Indices and take actions in the future.

**3.2 Management Inefficiencies**

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) 07 files that had given to a lawyer with the request to transfer the lease rights had not been returned even though it had been over 6 months to 4 years and transferred the lease rights.	Actions should be taken to transfer the lease rights.	Inform that the files would be given to another lawyer to take legal actions.
(b) Actions had not been taken to enact bylaws and charge the fees even though it had been recognized places to locate 07 parks within the Sabha territory.	Actions should be taken to enact bylaws and charge the fees.	Inform that a bylaw had been made and it was about to publish in a gazette when the Department of Local Government advised that they are preparing a common gazette and we should embrace that.
(c) Actions had not been taken to lease 10 Stalls located in the Wellawaya Super Market Complex and 03 Stalls located in the second floor of the Bus Stand owned by the Sabha.	Actions should be taken to lease the Stalls.	No bidders had been fronted therefore it would be discussed in the monthly board meeting and a decision is about be taken.
(d) The lessees had not been made agreements when leasing 17 Stalls owned by the Pradeshiya Sabha.	Agreements should be made with the lessees.	The Owners of the Stalls had been aware about this they had not made agreements therefore it would be discussed in the monthly board meeting and a decision is about be taken.

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| (e) | The tax had not been charged even though the bylaw for the Solid Waste Management published in the Gazette No.520/7 dated 23 August 1988 had been embraced and charging tax on removing garbage had been noticed.  | Actions should be taken to recover the Garbage Tax.   | Inform that the garbage could not be categorized and collected due to a problem in the place where the garbage had been dumped therefore the garbage tax had not been charged. |
| (f) | Action had not been taken to issue environmental protection permits to 11 business entities liable to obtain the environmental protection permits and for 75 time elapsed permits. Due to that an income of Rs. 44,000 and Rs.300,000 had been lost respectively by Rs. 4,000 for each permit. | The environmental protection permits should be issued after investigating the businesses and charging the relevant fee. | The relevant industry owners had been informed and inform that the field tests could not be carried out to verify the industries with expired license.                         |
| (g) | A survey on unauthorized constructions covering the sabha area, has not been conducted for the year under review.  | A survey should be carried out to recognize unauthorized constructions.   | The unauthorized constructions in the Wellawaya City had been eliminated and inform that a survey to cover the whole territory would be carried out in the year 2020.          |

**3.3 Human Resources Management**

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**Audit Observations**

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10 vacancies relevant for 09 posts had been remained as at 31 December of the year under review.

**Recommendations**

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The vacancies of the Staff should be filled.

**Comments of the Accounting Officer**

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Inform that The information had been sent for the Department of Local Government.

### 3.4 Assets Management

----- <b>Audit Observations</b> -----	----- <b>Recommendations</b> -----	----- <b>Comments of the Accounting Officer</b> -----
(a) 412 books cost value of Rs.62,471 had been in 04 Libraries owned by the Sabha during since the year 2001 had not been received or claimed money for them.	Actions should be taken to receive the books back from the readers or claim money for them.	The final warnings had been issued to obtain the rest of the books and claim money at several instances but the letters had been returned because of the reasons like change of the addresses.
(b) A Survey had not been done upon the Land and Buildings owned by the Sabha for the year under review.	A survey should be carried out upon the Lands and Buildings.	Inform that a survey would be carried out in the year 2020.
(c) 57 Pieces of lands in several sizes owned by the Sabha had not been surveyed and also legal actions had not been taken to acquire the legal possession.	All the Lands owned by the Sabha should be surveyed and legally acquired.	The Divisional Secretary had been informed to hand over the lands at several instances but a response had not been received.
(d) Timber of 28 Teak Trunks entered in the Inventory had been stocked since year 2015 without using.	The Timber should be used.	It would be used to make Montessori Desks and Chairs in the future.
(e) There were 235 roads according to the Road inventory last updated in the year 2014 but it had not been published by a Gazette under the Section 24(1) of the Pradeshiya Sabha Act No.15 of 1987.	Actions should be taken to update the roads Inventory published by a Gazette.	Roads within the area of the Sabha would be recognized further and published by a Gazette and updated the Roads Inventory.
(f) <u>Vehicle Utilization</u> 04 machines and a vehicle owned by the Sabha had been run for 1918.6 metre hours from 01 January 2019 to 31 August by consuming fuel of Rs.1,894,855 and completed 165 industries according to its running charts. But the Work Completion Reports and the estimates for those works had not been prepared.	The estimates and the Work Completion Reports should be prepared.	Inform that developments had been done covering 13 division without estimates under the optimum limit of Rs.200,000.

### 3.5 Procurements

#### Procurement Plan

##### Audit Observations

##### Recommendations

##### Comments of the Accounting Officer

Sabha had not been prepared an Action Plan for the year under review.

An action plan should be prepared.

The Plan prepared for the year 2019 had not been formal, therefore a plan for the year 2020 had been prepared.

### 4. Accountability and Good Governance

#### 4.1 Internal Audit

##### Audit Observation

##### Recommendation

##### Comments of the Accounting Officer

Sabha had not been carried out a proper Internal Audit for the year under review.

A proper Internal Audit should be carried out.

Inform that an internal auditor had been appointed.

#### 4.2 Audit and Management Committee

##### Audit Observation

##### Recommendation

##### Comments of the Accounting Officer

Audit and Management Committee had not been held for the year under review.

Audit and Management Committee should be held in the Sabha.

Inform that an Audit and Management Committee had been held for the first Quarter of the year 2020.