

Weligama Pradeshiya Sabha

Matara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 29 March 2013 and the financial statements for the preceding year had been presented on 11 April 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 20 November 2013.

1.2 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Weligama Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2012 and except for the effects on the financial statements of the matters referred to in my report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Weligama Pradeshiya Sabha as at 31 December 2012 and the financial results of its operations and cash flows for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a.) The Tractor valued at Rs.1,100,000 received as a donation from the Central Environmental Authority on 28 October 2012 had not been brought to account under Motor Vehicles and Carts during the year under review and therefore fixed assets had been understated by a similar amount.
- (b.) The provision for debtors for the year 2011 amounted to Rs.5,095,718 and this amount had been received during the year under review by the Sabha. This had been credited to the revenue account instead of being credited to the debtors account and therefore, the debtors balance of the year had been overstated by Rs.5,095,718.

1.3.2 Unreconciled Control Accounts

The value of 11 items of accounts as per control accounts amounted to Rs.57,497,630 and according to the subsidiary registers the value of those balances amounted to Rs.44,438,000 and therefore, a difference of Rs.13,059,630 was observed.

1.3.3 Suspense Accounts

The credit balance of Rs.161,359 in the suspense account shown in the financial statements as at 31 December of the year under review had not been settled.

1.3.4 Lack of Evidence for Audit

Transactions totaling Rs.157,330,090 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2012 amounted to Rs.50,909,519 as compared with the excess of revenue over recurrent expenditure amounting to Rs.6,695,759 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue, actual revenue and the arrears of revenue relating to the year under review as presented by the Chairman is given below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	804	744	1,069
(ii.) Lease Rent	287	2,922	605
(iii.) Licence Fees	1,965	2,399	387

(iv.) Other Revenue	18,905	20,164	45,749
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2.2.2 Taxes in Arrears

Action had not been taken in terms of Section 158 and 159 of the Pradeshiya Sabha Act No.15 of 1987 to recover taxes amounting to Rs.1,065,910 due for the year under review and the preceding year.

2.2.3 Distraining Procedure on rates in Arrears

The balance of rates in arrears as at end of the year under review amounted to Rs.1,065,910. Of this arrears; the amount relating to 2079 properties at Kamburugamuwa and Mirissa area as at 31 December 2012 amounted to Rs.585,655 and 03 Distraining Officers had been engaged to recover the above. However, only a sum of Rs.172,810 had been recovered as at 31 December 2012.

2.3 Irregular Transactions

- (a.) According to the Rules published by the Gazette Notification No.1807/2 dated 22 April 2013, the allowances should be obtained only for the works entrusted to himself as a people's representative. However, a sum of Rs.660,000 had been paid to the Members from the Sabha funds during the year under review without entrusting any work accordingly.
- (b.) A sum of Rs.96,310 had been spent for ceremony expenses during the year under review without obtaining the prior approval of the relevant Minister in terms of Section 132(J) of the Pradeshiya Sabha Act No.15 of 1987.

2.4 Contract Administration

The following observations are made.

- (a.) An agreement to the value of Rs.600,000 had been signed with a Farmers Organization on 18 August 2010 for concreting the Jinadasa Lane, Epitamulla, Kamburugamuwa under Provincial Specific Grants 2010/2011. A sum of Rs.585,679 had been paid on 01 December 2010 according to the work done report. However, the concrete of the lane had been completely washed away by

26 August 2013 and therefore, the total expenditure incurred had become fruitless.

- (b.) An agreement to the value of Rs.786,679 had been signed with a Village Development Society on 30 November 2010 for concreting Kamburugamuwa-Epitamulla Road under Decentralized Budget-2010. A sum of Rs.780,831 had been paid on 05 January 2011 according to the work- done report. But, a physical check carried out on 26 August 2013 revealed that the concrete layer of this road had been completely washed away and therefore, the expenditure incurred had become fruitless.

2.5 Construction of the Cremetorium- Nidangala

A private institution had given a sum of Rs.7,380,000 to the Pradeshiya Sabha during 2007 to construct a crematorium at Nidangala on a request made by the Chairman.

The following observations are made.

- (a.) Procurement procedure had not been followed for the construction of crematorium, and the Chairman, himself had selected a contractor and awarded the contract without the approval of the Sabha.
- (b.) The Sabha had entered into an agreement with the contractor on 05 April 2007 at Rs.5,777,482 being the estimated value of the contract and the Commissioner of Local Government had paid a sum of Rs.2,500,000 to the contractor.
- (c.) The contractor had not properly completed the construction and had abandoned the work. Therefore, the agreement had been cancelled on 05 April 2009 and the bid bond had been expired on 03 April 2008 and no action had been taken to recover the loss suffered by the Sabha.
- (d.) The Commissioner of Local Government had sent the balance sum of Rs.4,360,000 to the Sabha on the request of the Chairman and the above money had been spent for recurrent expenditure of the Sabha without being used for the crematorium.
- (e.) The chimney of the crematorium had completely broken down at the time of spot check on 30 August 2013.

2.6 Operating Inefficiencies

According to Paragraph 02 of the Circular No.PE01/01/2010 issued by the Secretary to the Ministry of Power and Energy on street lamps within the areas of authority of the Local Authorities; requests should be made to get reimburse the maintenance expenditure of street lamps of the area of authority. Nevertheless, action had not been taken to get reimburse the maintenance expenses amounting to Rs.1,344,524 relating to the year under review.

2.7 Internal Audit

An adequate internal audit had not been carried out within the institution and an Audit and Management Committee had not been established for the year under review.

3. Systems and Controls

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

- (a.) Accounting
- (b.) Financial Control
- (c.) Revenue Administration
- (d.) Assets Management

