

Weligepola Pradeshiya Sabha

Ratnapura District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 31 March 2014 while Financial Statements relating to the preceding year had been submitted on 28 February 2013. The Auditor General's Report relating to the year under review was sent to the Chairman of the Sabha on 11 September 2014.

1.2 Adverse Opinion

I am of opinion that the Financial Statements presented do not disclose a true and fair view of the financial position as at 31 December 2013 and operations for the year then ended of the Weligepola Pradeshiya Sabha in accordance with the Sri Lanka Public Sector Accounting Standards, due to importance of the matters referred to in paragraphs 1.3 in this report.

1.3 Comments on Financial Statements

1.3.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Following statements which should be submitted along with the set of Financial Statements in accordance with Paragraph 21 of Sri Lanka Public Sector Accounting Standard 01 had not been submitted.

- (i.) Cash Flow Statement
- (ii.) A reconciliation statement comparing the budgeted and actual figures.

1.3.2 Accounting Deficiencies

Following matters are observed.

- (a.) Provisions amounting to Rs.49,456,206 received as grants and loans from the Local Loans and Development Fund for the Hunuwala North and Pelankanda Water Scheme constructed at a cost of Rs.53,206,641 had been spent through an account outside the Sabha Fund and due to that, relevant transactions had not been taken to the Financial Statements.
- (b.) The loan of Rs.18,156,065 obtained by the Sabah from the Local Loans and Development Fund for the Hunuwala North and Pelankanda Water Scheme had not been accounted as Loan Capital of the Sabha.

- (c.) Although a sum of Rs. 675,194 was payable during the year under review as interest in the first stage of the above mentioned loan, adjustments had not been made in the Revenue and Expenditure in that connection and therefore the deficiency for the year had been understated to the extent of that value.
- (d.) Although the interest payable relating to previous years in the first stage of the above mentioned loan was Rs.1,583,341, it was observed that an adjustment had not been made to the Accumulated Fund in that connection.
- (e.) Although a sum of Rs.841,243 was payable during the year 2013 as interest in the second stage of the above mentioned loan, the interest paid to the Local Loans and Development Fund on 22 April 2013 had been Rs.282,134 and therefore the Interest Payable had been understated in a sum of Rs.559,109 in the Accounts.
- (f.) All Court Fines Revenue up to the month of November of the year under review amounting to Rs.2,042,123 had been received to the Sabha Fund. In spite of the fact that further amount to be received had been identified as Rs.105,416, Billed Revenue of Rs.3,500,000 of theyear2013 had been shown as revenue Receivable for the year under review reflecting an over statement of Revenue and Debtors Balance.
- (g.) Although all Stamp Charges Revenue up to the month of March of the year under review amounting to Rs.966,000 had been received to the Sabha Fund, Billed Revenue of Rs.5,000,000 of the year 2013 had been shown as revenue Receivable for the year under review reflecting an over statement of Revenue and Debtors Balance.
- (h.) Fixed Assets valued at Rs.107,428 purchased during the year under review had not been accounted in the Fixed Assets Account through the Contribution from Revenue to Capital Outlay Account.
- (i.) Action had not been taken to settle the difference of Rs. 89,023 between the Property, Plant and Equipment Account and the Contribution from Revenue to Capital Outlay Account.

1.3.3 Accounts Payable

Although Creditors Balances amounting to Rs 1,504,812 which were being brought over more than 09 years had been shown in the accounts, necessary action had not been taken to identify and settle those balances. Out of the Creditors Balance of Rs.3,255,947 shown in the Final Accounts for the year under review, a sum of Rs.1,510,043 had not been settled even as at 07 May 2014, date of audit.

1.3.4 Non-compliance with Laws, Rules, Regulations etc.

Following instances of non-compliance with Laws, Rules, Regulations and Management Decisions were observed in audit.

<u>Reference to Laws, Rules, Regulations etc.</u>	<u>Non-compliance</u>
(a.) Pradeshiya Sabha Act No. 15 of 1987 ----- Clause 132 (l)	- A part of a building required for construction of a Buddhist Shrine Room near a Community Centre had been constructed spending a sum of Rs.50,000 without prior approval of the Minister.
(b.) Financial Regulations of the Democratic Socialist Republic of Sri Lanka -----	
(i) Financial Regulation 371 (2)(d)	- Action had not been taken to settle Advances amounting to Rs. 2,371,861 paid in 168 instances during the years from 1988 to 2009.
(ii) Financial Regulation No. 570 and 571	- Action had not been taken in terms of the regulations referred to in with regard to unsettled Deposits amounting to Rs.1,022,121 relating to the years from 1995 to 2011.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabah for the year ended 31 December 2013 had been Rs.3,784,070 as compared with the corresponding excess of revenue over expenditure amounted to Rs.686,904 in the preceding year.

2.2 Analytical Financial Review

When compared with the preceding year surplus of the financial operations for the year under review had been increased in a sum of Rs. 3,097,166 or 450 percent. It was observed that the increase in the Other Revenue (Rates and Taxes, Charges for Services, Fines and Warrant Charges) during the year under review had been the main reason for that when compared with the preceding year.

2.3 Revenue Administration

2.3.1 Revenue, Actual Revenue and Arrears of Revenue

Information furnished by the Chairman relating to Estimated Revenue, Actual Revenue and Arrears of Revenue is shown below.

	Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
		Rs.'000	Rs.' 000	Rs. '000
(i)	Rates and Taxes	2,271	2,682	1,393
(ii)	Lease Rent	938	758	113
(iii)	Licence Fees	530	765	30
(iv)	Other Revenue	11,955	10,463	8,500

2.3.2 Water Charges

An income of Rs. 2,464,559 had been received during the year under review for water service which is a main source of income of the Pradeshiya Sabah. It was observed that an expenditure of Rs.3,953,146 had been incurred for that. Accordingly, an expenditure of Rs.1,488,587 had been incurred in excess of the income from water service.

2.3.3 Court Fines and Stamp Fees

Any course of action had not been taken either to identify or to recover to the Sabah, Stamp Charges Revenue Receivable from the Registrar General after March 2013. Similarly, any course of action had not been taken either to identify or to recover Courts Fines Revenue receivable through Balangoda Magistrate Court after September 2012 and Courts Fines Revenue receivable through Embilipitiya Magistrate Court after June 2012, up to 24 January 2014, date of audit.

2.3.4 Advertisement Boards Charges

Relevant charges for the Advertisement Boards displayed in the area of authority of the Sabah, which could be recovered legally in terms of the Clause 122 and 126 of the Pradeshiya Sabah Act No. 15 of 1987 had not been recovered.

2.3.5 Telecommunication Tower Charges

Any charges had not been recovered for all Telecommunication Towers erected in the area of authority of the Sabha in terms of requirements imposed in Schedule V of the Extra Ordinary Gazette dated 17 April 2009 of the republic of Sri Lanka, under the provisions of the Urban Development Authority Act No. 41 of 1978.

2.3.6 Weekly Fair Taxes

A balance of arrears amounting to Rs. 51,240 was outstanding to be recovered as at 31 December 2013, from the lessee who took lease of the Weligepola Weekly Fair for the year 2013. Action had not been taken to recover the balance sum of Rs. 17,640 due after setting off the tender deposit of Rs. 33,600 up to the date of the report. While the Weligepola Weekly Fair had been leased out to the same lessee for the year 2014, action too had not been taken to recover the Tender Deposit up to the date of inspection.

3. Operating Review

3.1 Management Inefficiencies

Following observations are made.

- (a.) A sum of Rs. 205,175 had been spent out of the Pradeshiya Sabah Fund during the year under review for the purchase of necessary components for a new Water Project. While recommendations of the Procurement Committee had not been obtained for that, the purchases had not been made from the registered suppliers.
- (b.) While 350 Water Meters valued at Rs. 943,250 had been purchased in 04 instances during the year under review without obtaining an estimate from a technical officer with regard to the specifications relating to the item to be purchased or a recommendation, it was observed that there was no such stock in the stores at the time of physical verification carried out on 23 January 2014, although 30 Water Meters should be available in the stores according to the Stocks Register.
- (c.) A sum of Rs. 154,800 had been spent during the year under review for computer and telephone network System of the office. Tenders had been called for without identifying the Sabha requirements and evaluation after preparing the specifications. A certification had not been obtained from an engineer qualified in telecommunication systems with regard to the quality of the network system while there had been breakdowns from time to time due to weaknesses in the purchase procedure; it had been difficult to obtain the expected service from the network system.
- (d.) The Cab Vehicle No. LF-4847 had been withdrawn from running since 21 August 2013. Although a report had been obtained by the Assistant Manager (Engineer) of the Sri Lanka Transport Board, with regard to the condition of the vehicle, repair work had not been carried out. In spite of the fact that there were two vehicles belong to the Sabha, expenditure amounting to Rs.137,837 had been incurred during the year under review as transport charges for vehicle hire.
- (e.) Action had not been taken to pay the loan installments totalling Rs. 1,988,156 relating to the first and second stages of the loan obtained from the Local Loans and Development Fund for the Hunuwala North and Pelankanda Water Scheme.

3.2 Operational Inefficiencies

Following observations are made.

3.2.1 Idle/Under-utilized Assets

Two tractors and a cab vehicle withdrawn from running due to not road worthy condition had been kept idle and parked in the Sabah Premises as at 24 January 2014, date of audit.

3.2.2 Contract Administration

Following matters were revealed in the physical inspection carried out on 27 February 2014 with regard to the Maga Neguma Project.

	Maga Neguma Project		Observations
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(i.)	Setting up concrete blocks to Kaikaragoda Road	-	Construction work of the road had been abandoned due to an earth slip on to the road
(ii.)	Setting up concrete blocks to Udawelegoda road	-	Concrete blocks had sunk in a part of the road completed
(iii.)	Setting up concrete blocks to Madola Ambagahawaththa Road	-	Quality Test Reports relating to the concrete blocks had not been obtained
(iv.)	Setting up concrete blocks to Madola Ambagahawaththa Road	-	The minimum width of 8 feet was not seen at the commencement of the road

An agreement had been entered into with the Polwaththahena Cultivation Committee on 02 September 2013 for an agreement period of 2 months and 28 days to develop the Malmeekanda Suduheenkanda Road (Stage I) on a provision of Rs. 500,000 made available under Maga Neguma Project. Although Work completion Report and the Measurement Reports had been prepared and submitted indicating that the work was completed before 30 November 2013, it was confirmed in the physical inspection carried out on 27 January 2014, that bills had been prepared and submitted for 1.9 meters of work not performed.

4. Accountability and Good Governance

4.1 Internal Audit

An adequate Internal Audit had not been carried out with regard to Finance and Stores in terms Rule 5(7) of the Set of Rules (Finance and Administration) of Pradeshiya Sabah -1988.

4.2 Budgetary Control

Provisions made available amounting to Rs. 4,899,049 relating to 38 Items of Accounts for the year under review had been saved.

5. Systems and Controls

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Special attention of the Sabha is needed in the following areas of controls.

- (a.) Accounting
- (b.) Revenue Administration
- (c.) Budgetary control
- (d.) Contract Administration