

Weeraketiya Pradeshiya Sabha
Hambanthota District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 15 June 2015 while Financial Statements relating to the preceding year had been submitted on 18 June 2014. The Auditor General's Report relating to the year under review was issued to the Chairman of the Sabha on 2 September 2015.

1.2 Adverse Opinion

Because of the significance of matters described in paragraph 1.3 of this report, I am of opinion that the financial statements do not give a true and fair view of the financial position of the Weeraketiya Pradeshiya Sabha as at 31 December 2014, its financial performance and cash flows for the year then ended in accordance with Public Sector Accounting Standards of Sri Lanka.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following observations are made.

- (a.) While the sum of Rs. 1,000,000 in a Fixed Deposit Account had been withdrawn during the year under review, it had been credited to Other Revenue Account instead of crediting the Fixed Deposit Account. The sum of Rs. 1,000,000 to be debited to the Other Revenue Account through the Journal Entry kept for correction had been debited to another two Subsidiary Accounts erroneously.
- (b.) A credit of Rs. 1,225,567 and a debit of Rs. 9,538,785 had been made through five Journal Entries in order to remove the non-reconciliation of balances amounting to Rs.10,764,352 between balances as per schedulers and ledger accounts arisen in the preparation of financial statements, without examining reasons for then on-reconciliation.

- (c.) Although the total sum of Rs. 3,231,697 receivable at the end of the year under review relevant to the year 2013 for 12 Maga Neguma Works should be credited to the Accumulated Fund, it had been taken as a revenue for the year under review.
- (d.) Although a sum of Rs. 1,000,000 should be provided as Creditors relevant to two Maga Neguma Works, a sum of Rs.505,382 only had been accounted.
- (e.) In spite of the fact that amount receivable for two works under “Door to Door, Village to Village Project” and a Work not implemented had already been accounted, a sum of Rs.4,337,190 had been provided as Debtors again. Due to that, Capital Grants and Debtors had been overstated to that extent.
- (f.) A sum of Rs. 229,910 shown as Works Retention Deposits payable shown in the Statement of Financial Position had been included in the Creditors’ value as well.
- (g.) A sum of Rs. 108,000 payable at the end of the year under review for 05 works done under Decentralized Provisions during the year 2014 had not been accounted.
- (h.) A sum of Rs. 5,397,380 payable for general works done engaging vehicles of the Machinery and Equipment Project had not been accounted.
- (i.) A sum of Rs. 1,000,000 receivable at the end of the year under review under Pradeshiya Sabha Strengthening Programme had not been accounted.
- (j.) A sum of Rs. 187,700 receivable out of the sum of Rs. 189,700 overpaid to a retired Government Officer for preparation of financial statements for the year 2012 had not been accounted.

1.3.2 Lack of Evidence for Audit

The sum of Rs. 5,932,866 payable as Value Added Tax Payable could not be satisfactorily vouched in audit due to non-submission of books, schedules and clarifications.

2. Financial and Operating 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 2014 amounted to Rs.5,168,404 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.7,780,023.

2.2 Revenue Administration

2.2.1 Performance in collection of Revenue

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

Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	1,770	979	3,493
(ii.) Lease Rent	17,538	17,655	2,204
(iii.) Licence Fees	1,758	1,564	4
(iv.) Other Revenue	36,233	34,161	5,772

2.2.2 Rates

Action in terms of Section 158(1) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken to recover Arrears of Rates amounting to Rs. 3,445,055 as at the end of the year under review. While the value of balances exceeding Rs. 5,000 out of these balances in arrears amounted to Rs. 824,244, Rates had been recovered during the year under review too, based on the assessment of Rates made during the year 2002.

2.2.3 Lease Rent

(a.) Stalls Rent

Although all agreements should be updated once in every 03 years in term of sub-clause 05 of the Circular No.SLG/CLG/2010/1 dated 01 January 2011; action had not been taken to update the agreements which had been old for more than 25 years, relating to 4 stalls at Pasmahandiya and 7 stalls in the public market belong to the Sabha. According to clause 6 of that circular it had been informed that at least once in 5 years assessed lease amount should be revised through a new valuation. However, a revised valuation had not been obtained for the stalls rent recovered during the year.

(b.) Fair Taxes

Action in terms of Section 158(1)(b) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken to recover Arrears of Fair Taxes amounting to Rs. 916,887 as at the end of the year.

2.2.4 Machinery and Equipment Charges

A sum of Rs. 667.424 was outstanding to be recovered from outside parties and Members of the Sabha as at the end of the year under review.

2.2.5 Court Fines and Stamp Fees

Court Fines and Stamp Fees totalling Rs. 5,772,041 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2014.

3. Operating Review

3.1 Management Inefficiencies

Following observations are made.

(a.) Appointment for Attending to the Duties of the Post of Secretary

While a Female Officer of the State Management Service, Class II had been appointed for attending to the duties of the Post of Secretary, it was observed that a totalled sum of Rs. 70,000 had been overpaid due to payment of allowances contrary to the provisions in Clause 12.3 Chapter vii of the Establishments Code of the Democratic Socialist Republic of Sri Lanka.

(b.) Staff Loans

Action had not been taken to recover a loan balance of Rs. 106,002 out of the Distress Loan granted to an officer served in the post of a clerk of the Sabha, although a long period had elapsed after officer's leaving the service.

3.2 Improper Transactions

(a.) Although a totalled sum of Rs. 275,200 had been paid in three instances having purchased equipment for distribution to one school and Registered Pre-schools in the area of authority of the Sabha, written prior approval of the Minister had not been obtained for that in terms of Section 132 (a) of the Pradeshiya Sabha Act No. 15 of 1987.

(b.) While a Pre-school Assistant recruited on casual basis to the Walasmulla Sub Office since February 1992 had been appointed to the post of Pre-school Assistant of the Southern Province Public Service with effect from August 2007, her

educational certificates had been sent in October 2011 to the Commissioner General of Examinations for confirmation. It had been informed during December 2012 by the Commissioner of Examinations that those results are not tallying with the documents of the Department of Examinations and had confirmed that those are counterfeit certificates. In spite of the fact that the Commissioner of Examinations informing on 28 December 2012 that the certificates do not tally, a sum of Rs. 367,312 had been paid as salaries and allowances to her by the Sabha up to 07 May 2014, date of interdiction of the officer.

3.3 Assets Management

Following observations are made.

(a.) Transport of Concrete Blocks and Metal Dust

Although it has been informed according to the paragraph 01 of the letter No.MPH/HYW/MNG/Cer/14-1 dated 02 July 2014 of the Secretary to the Ministry of High Ways, Ports and Navigation, that estimates should be prepared without including 10 per cent additional cost to be added in the transportation of raw material for the roads development works implemented under Maga Neguma Rural Roads Development Programme. However, action had not been taken accordingly, for 26 Works implemented having signed agreements by the Sabha after 02 July 2014. Due to that, a sum of Rs. 169,704 had been overpaid.

(b.) Non-application of Metal Dust to the Specified Standard

Payment Reports had been prepared stating that metal dust was spread to a thickness of 2 inches to the base of the road works, implemented under the Maga Neguma Rural Roads Development Programme. At the physical inspection carried out on 27 March 2015 it was observed that metal dust had not been applied to the base to a thickness of 2 inches and a quantity less than that had been applied for four Works. Accordingly, it was observed that a totalled sum of Rs.91,938 had been overpaid due to making payments indicating that metal dust were applied to a thickness of 2 inches.

(c.) Non-construction of Concrete Edges Properly

Although payments had been made for construction Concrete Edges on two sides of the roads in 03 Road Works implemented under Maga Neguma, it was observed at the physical inspection carried out on 27 March 2015 that Concrete Edges had not been constructed and accordingly a sum of Rs. 48,320 had been overpaid.

4. Systems and Controls

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

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