

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 the Audit on 17 March.2016 and the financial statements for the preceding year had been presented to the Audit on 30 March 2015. The Report of the Auditor General for the year under review was sent to the Secretary of the Sabha on 24 October 2016.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Weligama Pradeshiya Sabha as at 31 December 2015 and its financial performance for the year then ended in accordance with the Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following observations were made.

- (a) Provisions for debtors and creditors amounting to Rs.3,527,930 had been made in the year under review for two abandoned works and as such the balances of the debtors and creditors of the year had been overstated by similar amounts.
- (b) Twenty two lands valued at Rs.29,393,597 and 12 lands which had not been valued had not been valued and brought to account.
- (c) Provisions had not been made in the financial statements for the contributions amounting to Rs.2,542,200 due for remittance as at the end of the year under review to the Local Government Services Pension Fund.
- (d) The Banks Overdraft balance of Rs.18,895 had not been disclosed in the accounts as the net balance after the set off of the 'Bank Balances' and the 'Bank Overdraft Balances' had been shown.

1.3.2 Suspense Accounts

The credit balances of the Suspense Account amounting to Rs.65,791 had been written off to the Accumulated Fund Account instead of examining, making adjustment and settling the accounts.

1.3.3 Accounts Receivable and Payable

The following observations were made.

- (a) The balances of the Accounts Receivable as at the end of the year under review totaled Rs.129,541,780 and that included balances older than 3 years amounting to Rs.20,341,640. None of the particulars whatsoever relating to the capital debtors balances amounting to Rs.2,422,380 included therein had been furnished to Audit.
- (b) The balances of the Accounts Payable as at the end of the year under review totaled Rs.35,292,980 and that included balances older than 03 years totaling Rs.4,512,187. The information on the balances amounting to Rs.2,921,307 brought forward from the year 2012 and prior to that had not been furnished to Audit.

1.3.4 Lack of Evidence for Audit

In view of the failure to produce evidence such as the Report of the Annual Board of Survey and the Register of Lands and Buildings in respect of lands and buildings totaling Rs.42,311,371, the Reports of the Annual Board of Survey, the Registers of Fixed Assets and the Schedules in respect of fixed assets totaling Rs.83,974,765, the Schedules and confirmation of balances in respect of works debtors amounting to Rs.2,422,380 and creditors amounting to Rs.3,413,433 and the detailed schedules in respect of key money amounting to Rs.2,828,575, those could not be satisfactorily examined in audit.

1.3.5 Non-compliance with Laws, Rules and Regulations

The following instances of non-compliance were observed during the course of audit.

Reference to Laws, Rules and
Regulations

Pradeshiya Sabha (Financial and
Administrative) Rules 1988

Non-compliance

(i) Rule 185

The Secretary to the Sabha had not taken action to invest the surplus money in the Bank Current Accounts of the Sabha for earning revenue to the Sabha.

(ii) Rules 193

A statement showing the excess or savings under each item as expenditure on compared with the budgeted amounts and Supplementary votes together with an explanation of the causes of the excess on unexpended balances had not been forwarded with the accounts.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over the recurrent expenditure of the Sabha for the year ended 31 December 2015 amounted to Rs.31,573,647 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounting to Rs.30,945,594. Accordingly, the financial results for the year under review indicated an improvement of Rs.568,053.

2.2 Analytical Financial Review

The following observations were made.

- (a) The total recruitment expenditure of the year under review represented 65 per cent of the total recurrent revenue and as such the expenditure as compared with the revenue of the Sabha had been at a higher level.
- (b) A Summarized Statement of the total Recurrent Revenue, the Self-generated Revenue and the Revenue Grants as well as the total Recurrent Expenditure of the Sabha for the year under review and the two preceding years is given below.

Year	Total Recurrent Revenue	Revenue Grants	Self- generated Revenue	Total Recurrent Expenditure	Recurrent Expenditure exceeding the Self- generated Revenue
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	Rs.	Rs.	Rs.	Rs.	Rs.
2015	90,263,707	34,224,388	56,039,319	58,750,060	(2,710,741)
2014	80,850,831	18,800,673	62,050,158	49,905,237	(12,144,921)
2013	61,832,190	12,950,896	48,881,294	41,780,717	(7,100,577)

The following observations are made in this connection.

- (a) Even though the improvement of the Revenue Grants was indicated in the year under review as well as the in the two preceding years, the self-generated revenue of the year 2015, as compared with the preceding year indicated a decrease of Rs.6,010,839.
- (b) Even though the recurrent expenditure had continuously increased at a fast pace in every year, the attention of the Sabha had not been paid in that connection.
- (c) The recruitment expenditure of the year under review had exceeded the Self-generated revenue of the Sabha.
- (d) If not for the receipt of the Revenue Grants, it would not have been possible to cover the recurrent expenditure from the Self-generated revenue.
- (e) In view of the matters pointed out in the paragraph Nos. (i) to (iv) above, it is observed in audit that a proper course of action should be prepared and implemented for increasing the Self-generated revenue of the Sabha, whilst it is the view of the Audit that action should be taken for the minimization of the recurrent expenditure.

2.3 Working Capital Management

Even though the Current and Quick Ratios for the year under had been at an average level, in view of the existence of unrecovered balances older than 03 years amounting to Rs.20,341,640 in the debtors balance, a liquidity position as depicted in those ratios did not exist.

2.4 Revenue Administration

2.4.1 Rates and Taxes

The total of the Rates recoverable including the outstanding opening balance for the year under review and the billings of the year amounted to Rs.1,239,853. Even though 22 per cent of the arrears balance and 33 per cent of the billings had been recovered action in terms of Section 158(1)(A) of the Pradeshiya Sabhas Act, No.15 of 1987 had not been taken for the recovery of the arrears balance.

2.4.2 Acreage Tax

The total of the Acreage Tax recoverable including the opening balance for the year and the billings of the year amounted to Rs.122,643. Even though the recoveries had been at a very low level of 0.11 per cent of the arrears balance and 4 per cent of the billings, the attention of the Sabha had not been paid for the recovery of the arrears of the Average Tax.

2.4.3 Lease Rents

The total amount recoverable including the outstanding opening balance for the year under review and the billings for the year had been Rs.3,362,537. Even though 36 per cent of the arrears balance and 79 per cent of the billings had been recovered, action the terms of Section 159(1)(b) of the Pradehiya Sabhas Act, No.15 of 1987 had not been taken for the recovery of the arrears balance.

2.4.4 Courts Fines and Stamp Duty

The arrears of Stamp Duty amounting to Rs.16,176,883 and the arrears of Courts Fines amounting to Rs.783,958 as at the beginning of the year under review had not been received even by the end of the year. There were no receipts of the Stamp Duty and Courts Fines in respect of the year under review.

2.4.5 Other Revenue

Instead of recovering a tax of one per cent of the income of the preceding year of the businesses registered with the Sri Lanka Tourism Development Authority in terms of Section 149 of the Pradeshiya Sabhas Act, No. 15 of 1987 and the Tourism Development Act, No. 14 of 1968, tax at the rate of Rs.3,000 per year only had been recovered from 6 Hotels from which the above mentioned tax should be recovered.

3. Operating Review

3.1 Performance Evaluation

Nineteen works proposals scheduled for execution during the year had not been executed during the year.

3.2 Management Inefficiencies

The following observations are made.

- (a) As 860 street lamps exceeding the number of street lamps approved by the Ceylon Electricity Board had been installed, out of the application made for reimbursement, a sum of Rs.219,814 had not been reimbursed .
- (b) The value of deposits older than 05 years on which action in terms of the Financial Regulation 571 of the Financial Regulations of the Republic of Sri Lanka had not been taken amounted to Rs.1,988,666.

3.3 Contract Administration

The following observations are made.

- (a) Construction of Ranaviru Gamage Mawatha near Kokmaduwa Sudarshanarama Temple
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This work implemented under the Rural Bridges / Access Roads Programme of the year 2014, had been abandoned by the contractor after the payment of a sum of Rs.352,972 on 10 April 2015. No action whatsoever had been taken even by 31 March 2016, for the recovery of the loss caused to the Sabha and against the constructor for abandoning the work.

- (b) Construction of a Volley Ball Court in the Premises of the Pradeshiya Sabha
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The work undertaken from the provisions of the National Youth Services Council for the construction of a Volley Ball Courts with facilities for day and night play had been completely abandoned after the payment of Rs.1,049,814.

3.4 Transactions without Authority

A sum of Rs.2,000,000 from the Sabha Fund had been paid for a project for construction of Houses for Low Income Persons which does not come under the provisions in Section 132 of the Pradeshiya Sabhas Act, No. 15 of 1987 for which Sabha funds cannot be used.

4. Good Governance and Accountability

4.1 Budgetary Control

Saving totalling Rs.82,040,406 in 08 items of expenditure included in the budget for the year under review, the expenditure of one item of expenditure exceeding the limit by Rs.14,156,288 , the non-achievement of the targeted revenue of 05 items of revenue amounting to Rs.46,311,691 existed and as such the budget had not been made use of as an effective instrument of management control.

4.2 Internal Audit

Even though an adequate internal audit had not been carried out as specified in the Financial Regulations 133 and 134 of the Financial Regulations of the Republic of Sri Lanka and the Circular No. දළපා/යහ/01/නවමැද්ද dated 24 February 2014 of the Commissioner of Local Government of the Southern Province, the Internal Audit Officer appointed had been paid a sum of Rs.435,782 as salary and allowances during the year under review.

4.3 Audit and Management Committee

Action in terms of the provisions in the Management Audit Circular No. DMA/2009(i) dated 09 June 2009 had not been taken even by the end of the year under review for the establishment of the Audit and Management Committee.

4.4 Assets Management

The following observations are made.

(a) Idle and Underutilised Assets

Even though the Sabha had, at the meeting held on 21 August 2014, decided to sell by auction 2 items of machinery and 3 motor vehicles, action had not been taken to conduct an auction even by 31 December 2015 and those had been deteriorating in the Sabha premises.

(b) Survey of Assets

The recommendations in terms of Rule 218 of the Pradeshiya Sabha (Financial and Administrative) Rules – 1988 made at the survey of the lands and buildings conducted in the year 2007 had not been implemented even by the end of the year 2015. In view of this situation, the Kanattagoda cemetery belonging to the Sabha had been fragmented under the Swarnabhoomi, Jayabhoomi and Ranbima Programmes and the title deeds had been issued. But that had not been brought to the notice of the Sabha.

5. Systems and Controls

Special attention of the Sabha is drawn to the following areas of systems and controls.

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