

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 24 March 2017 and the financial statements (amended) for the preceding year had been presented to the Audit on 17 March 2016 and the Report of the Auditor General for the year under review was sent to the Secretary of the Sabha on 26 September 2017.

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 2016 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 accounting deficiencies were observed during the course of audit.

- (a) The value of land and building as at the end of the year under review had been overstated by Rs. 1,166,494.
- (b) Debtor and creditor provisions of Rs. 3,527,930 had been provided in the year under review for two abundant industries.
- (c) Actions had not been taken to capitalize or to provide debtor and creditor provisions in financial statements with relating to the expenditure of Rs. 267,223 incurred during the year under review for the construction of toilet in preschool at Kotavila.
- (d) Interest income receivable as at the end of the year under review was understated by Rs. 250,589.
- (e) The value of 15 lands and buildings belonging to Sabha had not been shown under fixed assets by making the valuation.

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 of the year 2015 instead of examining, making adjustment and settling the assessments.

1.3.3 Accounts Payables

The following observations were made.

- (a) A balance over 03 years period of Rs. 3,466,307 had been included in industrial creditor balance aggregating Rs. 34,008,683 as at the end of the year under review.
- (b) Six balances over 03 years period of Rs. 206,587 had been included in sundry creditor balance aggregating Rs. 1,360,575 as at the end of the year under review.
- (c) Actions had not been taken even in the year under review to settle VAT deposits and industrial retention balances aggregating Rs. 825,680 which was continuously carrying forward from previous years.

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 in respect of lands and buildings totaling Rs. 78,680,944, properly maintained Registers of Fixed Assets and the Schedules in respect of fixed assets totaling Rs. 8,651,483, confirmation of balances in respect of saving deposits amounting to Rs. 80,742 could not be satisfactorily examined in audit.

1.3.5 Non-compliance with Laws, Rules and Regulations

Rates on new assessment value had not been recovered from 3585 rates paying customers with relating to the constructions made from the year 1998 by making valuations of their properties in terms of Paragraph 146 (1) of Pradeshiya Sabha Act No. 15 of 1987.

Actions had not been taken on dishonored cheques of Rs. 21,197 as per the Financial Regulation 189 of the Republic of Sri Lanka.

2. Financial 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 2016 amounted to Rs. 56,379,299, as compared with the excess of recurrent expenditure over revenue amounting to Rs. 31,513,647 for the preceding year. Accordingly, the financial results for the year under review indicated an improvement of Rs. 24,865,652.

2.2 Revenue Administration

2.2.1 Rates and Taxes

(a) Rates

While there was opening arrears amounting to Rs. 954,967, and a sum of Rs. 1,243,383 had to be recovered including the billings of Rs. 288,416 of the year. The arrears as at the end of the year were Rs. 1,039,112 due to the total recoveries was Rs. 204,271.

(b) Acreage Tax

While there was opening arrears balance amounting to Rs. 123,433, and a sum of Rs. 134,749 had to be recovered including the billings of Rs. 11,316 of the year. The arrears as at the end of the year were Rs. 129,921 due to the total recoveries during the year was Rs. 4,828.

2.2.2 Lease Rent

While there was opening arrears amounting to Rs. 958,401, and a sum of Rs. 3,850,528 had to be recovered including the billings of Rs. 2,892,127 of the year. The arrears as at the end of the year were Rs. 588,097 due to the total recoveries was Rs. 3,262,431.

2.2.3 Courts Fines and Stamp Duty

Courts fines amounting to Rs. 5,209,614 and the Stamp Duty amounting to Rs. 78,567,039 had been remained as receivable from the Chief Secretary to the Provincial Council and other Authorities as at the end of the year under review.

2.3 Surcharges

Ten surcharge certificates aggregating Rs. 7,750,286 which were issued by me in the year under review and previous years had not been directed to the attention of Commissioner of Local Government to take necessary actions.

03. Operating Review

3.1 Performance

3.1.1 Implementing Progress in Capital Work Proposals

Following observations were made.

- (a) According to the budget, even though the estimated capital expenditure amounted to Rs. 46,380,000 the actual capital expenditure amounted to Rs. 19,361,915 thus it was 42 per cent from the estimated expenditure.

- (b) According to the budget estimate of the year under review, though it was planned to implement 27 work proposals of Rs. 14,625,000 under sundry provisions and Sabha fund, only one contract of Rs. 500,000 had been implemented during the year.
- (c) Four work proposals of Rs. 1,950,000 had been approved under National Program of Pradeshiya Sabha strengthening and not even one contract had been implemented during the year under review. A sum of Rs. 1,000,000 received to Sabha had been kept in a current account and a sum of Rs. 950,000 receivable to Sabha had been refused to release by the Ministry of Provincial and Local Government due to non-implementing of work proposals.
- (d) The provisions of Rs. 2,504,835 received on 04 contracts in previous 02 years under Pradeshiya Sabha strengthening program and other programs as well as a work contract of Rs. 2,700,000 which the agreements were signed in the year under review had not been completed even as at 02 August 2017.
- (e) The estimated and actual financial progress were ranging between 47 per cent to 79 per cent of those contracts hence the amount of work completed was Rs. 3,168,827 out of the estimated amount of 03 contracts of Rs. 5,092,041 implemented during the year under review.

3.2 Management Inefficiencies

Following observations were made.

- (a) Expenditure of Rs. 5,313,836 had to be incurred from Sabha fund in the year under review for the payment of salaries and allowances of employees recruited by the Sabha without a proper approval and actions had not been taken to fill 11 vacancies in approved posts and to streamline 55 excess staff.
- (b) Staff loan balance as at the end of the year under review was Rs. 6,453,232 and unrecoverable installment and interest in 03 balances of Rs. 117,349 had been included in that balance.

3.3 Idle and Underutilized Assets

Following observations were made.

- (a) The volley ball court constructed in the year 2014 by spending a sum of Rs. 1,166,494 was kept idle even as at 04 August 2017.
- (b) The Gully Bowser belonging to Sabha were kept idle from the beginning of the year under review and the spare parts stock of Rs.391,715 procured for the purpose of repairing were remain without utilizing even as at 04 August 2017.

3.4 Identified Losses

According to the Circular No. 5/2/2/10(ii) of Urban Development Authority dated on 30 September 1992, the land extent of 12 acres 03 roods 0.26 perches had been lost to Sabha which should be received on 10 per cent of the land for common amenities when portioning lands for selling.

3.5 Solid Waste Management

Following observations were made.

- (a) Though a sum of Rs. 11,870,262 had been spent by the Sabha during the year 2016 for waste management, a permanent solution had not been implemented to dispose the collected garbage.
- (b) 3057 tons of solid waste had been collected by the Sabha in the year under review and no income had been generated from them. Further 358 business tax paying hotels were in the area of the Authority of Pradeshiya Sabha and sub laws had not been imposed to recover charges for collecting garbage from them.

3.6 Environmental Impact

Twenty five Industries had been introduced by the Gazette Notification No.1533/16 dated on 25 January 2008 to obtain Environment Protection License and revenue of Rs. 1,416,800 had been lost to Sabha due to non-obtaining Environment Protection License by 322 business tax paying Institutions. Actions had not been taken by the Sabha against adverse impact caused to the environment through them.

04. Accountability and Good Governance

4.1 Budgetary Control

It was observed that the budget had not been made use of as an effective instrument of financial management control due to remaining the savings aggregating Rs. 27,042,557 in 08 expenditure votes included in the budget estimate for the year under review and non-achieving targets aggregating Rs. 11,917,594 in 04 revenue votes.

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.SPLA/G/01/MCC dated 24 February 2014 of the Commissioner of Local Government of the Southern Province, a sum of Rs. 438,630 had been paid to the Internal Audit Officer deployed by the Sabha as salaries and allowances in 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.

5. Systems and Controls

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

- (a) Accounting
- (b) Budgetary Control
- (c) Revenue Collection
- (d) Assets Management