

**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 31 March 2017 while Financial Statements relating to the preceding year had been submitted on 04 April 2016. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 31 August 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 Weeraketiya 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**

Following accounting deficiencies are observed during the course of audit.

- (a.) Stamp duty amounted to Rs.10,812,700 for the year under review and preceding 03 years, vehicles parking fees amounting to Rs.90,850 for the year under review and stock balance amounting to Rs.3,300 had been omitted from the financial statements.
- (b.) Cost of JCB machine owned by the Sabha amounted to Rs.4,781,250 had been accounted twice.
- (c.) Provisions for debtors had not been made for the expenses amounted to Rs.879,895.
- (d.) Revenue creditors for the year under review had been overstated by Rs.249,028 in the accounts.

**1.3.2 Unreconciled Control Accounts**

Differences between the balances of 04 items of accounts in the financial statements and the balances in the registers and schedules totaled to Rs.77,361,596 had been observed.

**1.3.3 Accounts Receivable and Payable**

Following observations are made.

**(a.) Accounts Receivable**

- (i.) Market lease rent which had been filed a case against, amounting to Rs.822,420 in the year 2007 and Acre tax recoverable from the year 2012 amounting to Rs.28,650 had not been recovered as at 27 June 2017.
- (ii.) Amount recoverable for renting out machinery amounted to Rs.1,256,092 at the year under review. The sum of the receivable balance from 01 year to 05 years had been Rs.965,796 as at 27 June 2017.

**(b.) Accounts Payable**

- (i.) Action had not been taken to settle Payable salary of Rs.120,100, payable amount for Employees' Trust Fund of Rs.41,893 carried out continuously, in financial statements during the year under review.
- (ii.) Payable contract money totaled to Rs.2,340,946 for 20 finished works under Gamin Gamata Dorin Dorata Programme relevant to the year 2014.
- (iii.) Liabilities not settled totaled to Rs.25,638,006 at the end of the year under review, however that amount had been decreased to Rs.4,132,663 to the date 31 July 2017.

**1.3.4 Lack of Evidence for Audit**

Schedules regarding Furniture and Equipment totaled to Rs.10,608,280 Assets Register on fixed assets amounted to Rs.2,564,901, detailed schedules regarding 10 per cent holding on works amounted to Rs.2,069,392, schedules of salaries and wages not paid amounted to Rs.120,099 had not been furnished therefore they had not been satisfactorily investigated in the audit.

**1.3.5 Non-compliance with Laws, Rules, Regulations etc.**

The following instances of non-compliance with laws, rules and regulations were observed in audit.

<b>Reference to Laws, Rules, Regulations etc.,</b> -----	<b>Non-compliance</b> -----
(a) Pradeshiya Sabha (Financial and Administrative) Rules of 1988 Rule No.185	Even though an excess average monthly balance amounted to Rs.5,678,291 in the General Account of the Sabha that money had not been invested.
(b) Financial Regulations of the Republic of Sri Lanka 571(3)	Action had not been taken to disposition 04 Deposit balances over 02 years totaled to Rs.70,884.
(c) Paragraph 4.3(e) of the letter of the Director of Public Finance No.PED/RED/2015/08 General(i) of 09 October 2015.	Action had not been taken to recover loan balances of 11 officers who resigned and interdicted totaled to Rs.236,765.
(d) Circular No.01/2014 of the Chief Secretary of the Southern Provincial Council on 24 February 2014	It had been let to draw money back from the Employee Security Deposit Account an amount of Rs.19,908 at 06 instances.

## **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 2016 amounted to Rs.10,773,593 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs5,509,595. Accordingly, an improvement amounting to Rs.5,263,998 is shown in the financial results of the year under review.

### **2.2 Analytical Financial Review**

Following matters are observed.

- (a) Recurrent expenditure was at a high rate of 83 per cent of the recurrent revenue of the year under review.
- (b.) Recurrent expenditure had been shown in improvement than the amount of self-generated income during the year under review as well as the preceding 02 years in considerable amounts.

### **2.3 Revenue Administration**

#### **2.3.1 Performance in Collection of Revenue**

The following observations are made on performance in collection of revenue as at 31 December 2016.

- (a) The revenue billed amounted Rs.22.23 million during the year under review, from thatRs.15.49 millionhad been collected. Accordingly the progress of the performance in collection of revenue had been 70 per cent.
- (b) The sum of revenue receivable at the end of the year under review had been Rs.13 million, from that Rs.7.76 million had been recovered. Accordingly the progress of receivable revenue collection had been 60 per cent.

#### **2.3.2 Rates and Taxes**

Deficit balance at the end of the year had been as high amount as Rs.4,897,419 because it had been covered only 19 per cent from the opening deficit and 29 per cent from the billings. Action had not been taken under Section 158(1)(a) of Pradeshiya Sabha Act No.15 of 1987.

#### **2.3.3 Lease Rent**

Action had not been taken in terms of the agreement about 04 stalls at Pasmanhandiya, 09 stalls at Walasmulla Public Market Place, 09 stalls at Muduna and 42 stalls at Super Market Complex under Paragraph 5 of the Circular No.දප්පා/පපාකො/2010/01 of Commissioner of the Southern Provincial Council on 27 December 2010. Although the above had to be assessed and lease amount had to be amended at least once for 05 years, a new assessment had not been carried out for 04 stalls at Pasmanhandiya, 10 stalls at Walasmulla Public Market Place

#### **2.3.4 Court Fines and Stamp Fees**

Court Fines Rs.1,184,863 and Stamp Fees Rs.997,905 were receivable from the Chief Secretary to the Southern Provincial Council and other authorities as at 31 December 2016.

### **3. Operating Review**

#### **3.1 Performance**

Following observations are made.

- (a.) Even though provisions of Rs.1,000,000 had been made for the construction of roads by the budget during the year under review, that provisions had not been completely utilized.
- (b.) The construction of 02 works of the Sabhahad been failed to commence totaled to Rs.3,500,000 budgeted during the year under review.
- (c.) Projects amounting to Rs.1,930,472 out of approved projects amounting to Rs.6 million under the Pradeshiya Sabha Strengthening Programme had been finished.

#### **3.2 Management Inefficiencies**

Following observations are made.

- (a.) Roller Machine  
Roller Machine owned by the Sabha had been repaired for a cost of Rs.406,840 after it had been prepared to auction for Rs.5,600,000. Even though, after paper advertisements had been published at 02 instances for Rs.180,000, no buyer had been presented. After that approval had been asked to reduce the above assessed price and sell, but the approval had not been granted to the date 27 June 2017.
- (b.) Implementation of the Board of Survey Recommendations  
Implementing the recommendation on the shortages of 22 goods, identified by the Board of Survey during the year under review had been delayed as at 27 June 2017.
- (c.) Maintenance and Control of Vehicles  
Licence had not been obtained for 11 vehicles owned by the Sabha for the year under review.
- (d.) Human Resource Management
  - (i.) There had been an excess of 20 persons and 12 vacancies for the posts in the approved cadre as at 31 December of the year under review. Action had not been taken to fill the vacant posts and to regulate the excess number of employees at the end of the year under review.
  - (ii.) 03 field work labour employees approved by the Sabha for the posts of Project Keeper, Weigh Equipment Operator, and Driver had also been appointed in duties of 02 health labourers, A Weigh Equipment Operator and a Driver.
- (e.) Assets not Acquired  
Action had not been taken to acquire the possession of 07 lands and 13 Cemeteries used by the Sabha and action had not been finished of the work for acquiring 12 cemeteries.

#### **3.3 Idle/ Underutilized Assets**

11 various assets removed from using since the year 2007 had been idled in the store.

#### **3.4 Identified Loss**

Sabha had been lost an income of Rs.570,000 as not using 04 stalls for 05 years in Walasmulla Public Market Place.

### **3.5 Contract Administration**

The following matters are observed.

- (a.) Work estimated for Rs.1,500,000 to fix cube stones to GalahitiyaGnasara Road had been completed by one of approved society at 03 instances an agreements for 03 parts of Rs.500,000 each without any recommendation by the finance and policy committee from provisions made by the Sabha.
- (b.) Construction of fixing cube stones for the above road, had been completed 02 meters less at each stage therefore, it had been paid an amount of Rs.47,792 for the work had not completed.

## **4. Good Governance and Accountability**

### **4.1 Budgetary Control**

It was observed that savings of provisions made on 08 items of expenditure amounted to Rs.32,750,827 , and adverse variances in 03 items of revenue objectives amounted to Rs.36,302,997, so the budget had not been used as an effective management control tool.

### **4.3 Internal Audit**

Even though an Officer had been appointed for the internal audit of the Sabha at the end of the year under review under the Circular No.දපභ/යභ/01/න.ව.ලේ of Commissioner of the Southern Provincial Council on 24 February 2014, a proper audit had not been carried out. Action had not been taken to make an Audit Plan under the Financial Regulation 134(2).

## **5. Systems and Controls**

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

- (a.) Accounting
- (b.) Revenue Administration
- (c.) Fixed Assets Control
- (d.) Budgetary Control