

Weligepola Pradeshiya Sabha

Ratnapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 28 March 2017 and the financial statements for the preceding year had been presented on 08 April 2016. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 14 July 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 Weligepola Pradeshiya Sabha as at 31 December 2016 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following matters were observed.

- (a) As the discount allowed amounting to Rs.27,697 in the year under review had been adjusted to the accumulated fund without being brought to account as expenditure in the financial statements, the operating expenditure had been understated by similar amount.

- (b) The payable amount of Rs.3,016,546 for the 06 works completed had not been provided under creditors.
- (c) A ladder amounting to Rs.54,000 purchased during the year under review had been brought to account as Rs.5,400 and as such the furniture and fittings had been understated by Rs.48,600.
- (d) Twelve pair of shoes amounting to Rs.32,100 purchased in 02 instances in the year under review had been brought account under furniture and fittings as fixed assets. As such the fixed assets had been overstated by similar amount.
- (e) According to the loan amortization register, the payable balance to the Local Loans Development Fund as at the end of the year under review amounted to Rs.20,950,164. But it was shown as Rs.20,697,825 and as such a sum of Rs.252,339 had been overstated.

1.3.2 Unreconciled Control Accounts

According to the financial statements as at 31 December 2016 the balance of creditors amounted to Rs.4,475,734 while according to the subsidiary registers it was Rs.5,207,442 thus a difference of Rs.731,708 was observed.

1.3.3 Accounts Payable

According to the Register of creditors, a balance of creditors totalling Rs.8,389,536 was observed as at 31 December 2015 and action had not been taken to settle Rs.4,453,284 out of that even by 31 December 2016.

1.3.4 Non Compliance with Laws, Rules and Regulations etc.,

Action had not been taken to settle the advances of Rs. 2,423,549 relating to the period from the year 1988 to 2014 in terms of Financial Regulation 371 (2) of the Democratic Socialist 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.6,924,307 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.4,188,432, indicating an improvement of Rs.2,735,835 in the financial results as compared with the preceding year.

2.2 Analytical Financial Review

Increase of 03 items of revenue by Rs.5,377,106 and decrease of 01 item of expenditure by Rs.1,409,154 had mainly attributed for the increase of financial results by Rs.2,735,875.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and the Arrears of Revenue

The information with regard to the estimated revenue, actual revenue and the arrears of revenue furnished for the year under review appears below.

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
Rates and Taxes	4,248	8,365	5,615
Lease rent	2,716	2,071	259
Licence fees	932	1,131	05
Other revenue	58,685	34,783	6,109

2.3.2 Performance in Collection of Revenue

A comparison of the estimated revenue of the year under review with the revenue collected showed an increase in revenue collected with regard to rates and taxes, licence fees and service charges by 66 per cent, 27 per cent and 46 per cent respectively and the revenue collected with regard to the revenue items such as lease rent, warrant charges and fines and other revenue had decreased by 31 per cent, 65 per cent and 42 per cent respectively as compared with the estimated revenue.

2.3.3 Rates and Taxes

The following matters were observed.

- (a) The Sabha had failed to recover arrears of rates and taxes amounting to Rs.3,117,235 from 1,683 units of assessments remained as at 30 September 2016 in the authoritative area of the Sabha even by 20 October 2016.
- (b) Action had been taken to publish the areas, close to the Opanayaka and Weligepola as Developed village areas and to register the assessment rates and taxes from 01 January 2014 as per the new assessment rates and taxes under the expansion of areas for recovery of assessment rates in the authoritative area of the Sabha. Nevertheless, the recovery of rates and taxes had been temporary paused by a decision taken by the Council in the monthly meeting due to the protest of the people of the area for recovery of rates and taxes without providing adequate facilities for said areas. Therefore, the rates and taxes amounting to Rs.3,070,656 registered for the years 2014, 2015 and 2016 could not be recovered and it had been referred to the Commissioner of Local Government to obtain the approval of the Minister to write off the balance on 27 July 2016. Nevertheless, the approval thereon had not been obtained even by 31 May 2017.

2.3.4 Lease Rent

The following matters were observed.

- (a) Even though, the assessed lease rent should be revised at least once in 05 years in terms of the Circular No.2009/01 of the Commissioner of Local Government dated 09 March 2009, action had not been taken in terms of the instructions of the Circular. The decision of the assessment of lease rent which recovered first time or the decision of the Sabha had not been furnished to audit.
- (b) The trade stalls of No.01 to No.08 in front of the Opanayaka Public Fair had been given on a monthly rental at the rate of Rs.300 in the year 1996, and the rent had been increased up to Rs.600 in the year 2007. Nevertheless, action had not been taken to enter into a new agreement by including the revised rent even by 20 October 2016.
- (c) The arrears of lease rent from 02 weekly fairs and 02 fish stalls belonging to the Sabha for the year 2016 amounted to Rs.100,281 and the Sabha had failed to recover arrears of rent by the end of the year under review.
- (d) Arrears of acreage tax from 89 units totalling Rs.63,551 had existed as at 30 September 2016 and arrears recoverable amounting to Rs.60,492 from 74 units or 95 per cent of total arrears had included in that amount for over a period of 05 years.

2.3.5 Other Revenue

The following matters were observed.

- (a) Action had not been taken to recover the balance of arrears of water tax totalling Rs.498,489 recoverable for the period from 01 January 2015 to 31 July 2016 in respect of 05 water projects implemented by the Sabha.
- (b) No revenue whatsoever had been earned from the gully bowser belonging to the Sabha, and it was informed to audit that, there was no possibility to give the gully bowser on rent as there was no place to bury the excreta.

- (c) Action had not been taken to recover the fees recoverable depending on the height of the transmission towers constructed within the authoritative area of the Sabha in terms of the Gazette Notification No.1597/8 of the Democratic Socialist Republic of Sri Lanka dated 17 April 2009.

2.3.6 Court Fines and Stamp Fees

Action had not been taken to identify and recover the courts fines receivable from the Majistrate Courts Embilipitiya in respect of the period from April to October 2016 and the court fines receivable from Majistrate Courts, Balangoda amounting to Rs.448,299 in respect of the period from April to August 2016 had not been recovered even by 20 October 2016.

3. Operating Review

3.1 Performance

According to the Budget relating to the year under review a sum of Rs.37,100,000 had been estimated for 05 development projects. But no work whatsoever had been executed out of that by the end of the year, while 20 development projects which contracted value amounting to Rs.7,677,615 under the Provincial Council Provisions had been completed.

3.2 Management Inefficiencies

The following matters were observed.

- (a) According to the Internal Audit report issued by the Sabaragamuwa Provincial Department of Internal Audit for the year under review the respective action had not been taken even by 22 November 2016 relating to the shortage of 35 flag posts revealed in the Boards of Survey conducted as at 31 December 2015.

- (b) Action had not been taken to auction machinery and equipment and furniture and fittings totalling Rs.53,328 which recommended to auction by the Report of the Boards of Survey in the year 2016.
- (c) A loan balance totalling Rs.106,257 receivable from 07 officers due to the reasons such as officers deceased, retired, transferred out and vacated of posts had not been recovered even by 31 December 2016.

3.3. Solid Waste Management

The following matters were observed.

- (a) Even though the sewerage and scavenging service and the recovery of fees thereon were shown as the matters subject to the by-laws in terms of the 126 (ix)(b) of the Pradeshiya Sabha Act No.15 of 1987, the Sabha had not taken action to impose a by-law for scavenging service.
- (b) In terms of by-law 9.4 of part IV (b) of the Extra-ordinary Gazette No.520/7 of the Democratic Socialist Republic of Sri Lanka dated 23 August 1988, a fee imposed by the Sabha for sewerage service should be paid monthly by a resident of a place for which providing sewerage service except a resident exempted by the Sabha due to poverty. Nevertheless, the Sabha had not implemented a proper methodology to recover fees for sewerage service.
- (c) The Sabha had informed to audit, the garbage collection of the Sabha had been disposed to an open area belonging to the Kahawatta Plantations without categorized the garbage and had been put a soil layer only on the garbage after a limited period.

4. Accountability and Good Governance

4.1 Annual Procurement Plan

A procurement plan had not been prepared by the Sabha for the year under review.

4.2 Unresolved and unreplied Audit Queries

Replies to 03 audit queries had not been furnished by 31 December 2016. The value of quantifiable transactions amounted to Rs.7,870,368.

5. Systems and Controls

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

System	Observation
(a) Accounting	(i) Classification errors. (ii) Omissions in the accounts. (iii) Non making provisions. (iv) Understatements in the accounts.
(b) Revenue Administration	Non-recovery of due revenue.
(c) Solid Waste Management	Not disposed properly.