

Weligama Pradeshiya Sabha

Matara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented for audit on 15 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman on 31 August 2018.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements of the Weligama Pradeshiya Sabha give a true and fair view of the financial position as at 31 December 2017 and its financial performance 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 deficiencies were observed.

- (a) Two land valued at Rs.100,000 had not been included in the financial statements and the values of buildings of the Denipitiya home for aged, Mudugamuwa maternity home and the Midigama public market had not been assessed and shown in the financial statements.
- (b) The value of 04 carts valued at Rs.84,000 which had been damaged had not been deleted from the fixed assets.
- (c) The values of a Tafe tractor and 02 trailers received as donations during the previous years had not been assessed and capitalized.
- (d) The revenue receivable on behalf of advertisement boards amounting to Rs.162,600 had not been brought to account.
- (e) The garbage fees of Rs.172,250 receivable had not been brought to account.
- (f) Over provision of Rs.55,600 had been made for debtors and creditors of 03 work.

- (g) The value of stock totalling Rs.60,213 had been omitted in the financial statements.
- (h) The Weligama Secretariat had vested the trade complex and the public building of the Midigama Thurki Housing Project together with 03 other buildings with the Weligama Pradeshiya Sabha on 27 November 2006. This had not been disclosed in the financial statements.

1.3.2 Contingent Liabilities

Disclosures had not been made in the financial statements with regard to the case filed in the District Court against the Pradeshiya Sabha for the electricity bill of Rs.1,249,476 payable on behalf of the Thurki stalls belonging to the Sabha.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

A balance of Rs.2,422,380 over 03 years had been included in the balances of work debtors totalling Rs.5,648,615 as at end of the year under review.

(b) Accounts Payable

The following matters were observed.

- (i) A balance of Rs 2,932,956 over 03 years had been included in the balances of work creditors totalling Rs. 11,067,337 as at end of the year under review.
- (ii) Action had not been taken even by the year under review to settle the VAT deposit balance totalling Rs. 724,919 which continued to be brought forward from years prior to the previous year.

1.3.4 Lack of Documentary Evidence for Audit

Five items of accounts totalling Rs.84,165,745 could not be satisfactorily verified in audit due to non rendition of necessary information.

1.3.5 Non-compliance

1.3.5.1 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with laws, rules, regulations and management decisions appear below.

**Reference to Laws, Rules, Regulations and
Management Decisions**

Non-compliance

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|--|---|
| (a) Section 146(1) of the Pradeshiya Sabha Act No.15 of 1987 | New assessments had not been made and rates recovered accordingly from 3585 rate payers whose buildings had been constructed from 1998. |
| (b) 1988 Pradeshiya Sabha (Finance and Administration) Rules | |
| (i) Rule 33 | A list of defaulters of rates had not been prepared. |
| (ii) Rule 196 | The register of consumer goods had not been kept in the custody of a responsible clerk and the particulars of each issue entered in the register. |
| (c) Financial Regulation 189 of the Democratic Socialist Republic of Sri Lanka | Action had not been taken with regard to the dishonoured cheques valued at Rs.21,197. |

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 2017 amounted to Rs.63,645,269 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.56,379,299.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue

The information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2017				2016			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total Arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	4,590,500	5,496,311	5,362,681	1,302,663	4,816,500	3,835,071	3,744,438	1,169,033
Rent	3,657,500	3,066,989	2,893,535	761,552	3,339,700	2,890,866	3,289,174	588,098
Licence Fees	4,175,500	7,809,196	6,312,196	1,551,150	4,128,000	6,813,390	6,843,890	54,150
Other Revenue	54,370,600	61,101,942	6,277,797	139,035,850	42,842,000	56,794,948	28,821,413	84,211,705
Total	66,794,100	77,474,438	20,846,209	142,651,215	55,126,200	70,334,275	42,698,915	86,022,986

2.2.2 Performance in collection of Revenue

The total estimated revenue of the year under review amounted to Rs.66,794,100 and the amount billed was Rs.77,474,438. The total arrears at the commencement amounted to Rs.86,022,986 along with which the total amount receivable amounted to Rs.163,497,424. However, the total revenue collected during the year amounted to Rs.20,846,209 resulting in total arrears of Rs.142,651,215 as at end of the year.

2.2.3 Rates and Taxes

(a) Rates

The arrears at the commencement of Rs.1,039,112 had become Rs.1,329,688 after adding the amount billed, that is, Rs.290,576. The total recoveries amounted to Rs.137,279 and as such the arrears of balance as at end of the year amounted to Rs. 1,192,409

(b) Acreage Tax

The arrears at the commencement amounted to Rs.129,921 and the amount billed was Rs.11,075. The total recoveries during the year amounted to Rs.30,742 resulting in an arrears of Rs.110,254 as at end of the year.

2.2.4 Lease Rent

The amount at the commencement of Rs.588,097 added to the billings of Rs.3,088,149 had resulted in an arrears due amounting to Rs.3,676,246. The total recoveries amounted to Rs.2,914,695 and as such the arrears due as at end of the year amounted Rs.761,551.

2.2.5 Court Fines and Stamp Fees

Court fines amounting to Rs.11,693,526 and stamp fees amounting to Rs.125,216,034 were due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2017.

2.3 Surcharge

Ten surcharges amounting to Rs.7,750,286 had been imposed by me during the past years against those who were responsible in terms of provisions in the Pradeshiya Sabha Act. Of those, surcharges amounting to Rs.7,750,286 had not been recovered even by 31 December 2017.

3. Operating Review

3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc,

(a) Non provision of Funds

Provision had not been made for 02 work with an estimated value of Rs.2,049,014 which were to be executed by the Sabha and as such those work had not been executed.

(b) Non-achievement of the Expected Output Level

The following matters were observed.

(i) Although a sum of Rs.15,203,774 had been spent to fulfil 04 various work, the expected output level had not been achieved.

(ii) Although a sum of Rs.513,000 had been received for 04 work under the members' provision, the work had not been executed.

(c) Non-achievement of the expected Outcome

A day and night volleyball playground had been constructed by paying Rs.1,049,844 for the first stage of the estimated 2 stages under the provision of the National Youth Council. This had not been used for the said purpose although 03 years had elapsed.

(d) Delays in execution of work

A sum of Rs.8,609,646 had been granted to the Sabha in June 2015 to widen the Kamburugamuwa Ipitamulla Road. This money had been invested in a fixed deposit without performing the work.

(e) Solid Waste Material Management

The following matters were observed.

(i) A sum of Rs.11,556,604 had been spent on collection of garbage during the year under review. The garbage collected had been disposed of, in private places of the area.

- (ii) The land named Karuwalabedda of 01 Acre, 1 Rood and 28 Perches belonging to the Sabha had been exchanged for Rs.2,000,000 for a land named Kamburugamuwa Kadolana for a garbage project. The Central Environmental Authority had rejected to issue the environmental licence as the land consisted of a rare Kadolana environment. As a result, the expected objective of the exchange of land as well as the land required for garbage management had been lost.

(f) Sustainable Development Target

The Sabha had not prepared the long term plan for sustainable development target and the objectives in order to uplift the living standards of the public within the area of the Sabha through the global indicators relating to sustainable development objectives and targets as per 2030 agenda of sustainable development.

3.2 Management Inefficiencies

Although there were 344 tourist resorts within the authoritative area of the Sabha, garbage tax had only been recovered from 67 hotels. As such, the Sabha had been deprived of a revenue of Rs.225,000.

3.3 Human Resources Management

The following matters were observed.

- (i) One vacancy and 29 excesses existed in the approved cadre.
- (ii) Employees had been recruited for 03 posts on temporary/substitute basis without proper approval.
- (iii) Four road labourers and a sanitary labourer had been paid Rs.2,079,048 as salaries during 2017 by employing them to attend to various office duties instead of their normal duties.

3.4 Operating Inefficiencies

3.4.1 Maintenance of Street Lamps

The Sabha had spent Rs.828,310 on maintenance of street lamps. Street lamps equipment had been purchased for Rs.734,287 during the year. The lamp posts had not been numbered. As such, the fixing of street lamps could not be checked. 247 street lamps posts had been installed in excess of the approved number of posts within the authoritative area of the Sabha.

3.4.2 Lack of periodical assessment of Properties

Fifty one blocks of land consisting of 08 acres and 26.94 perches included in the balance of land and buildings as at 31 December 2017 had not been assessed and their values not shown in the financial statements.

3.5 Assets Management

Idle/Under utilized Assets

Three vehicles and 02 machines of the Sabha worth Rs.7,462,799 had remained idle for many years. Action had not been taken to dispose of them in terms of the Finance Circular No.02/2015 of 10 July 2015.

3.6 Procurement

3.6.1 Procurement Plan

A procurement plan for the year under review had not been prepared for services rendered by the Sabha and for its purchases.

3.6.2 Contract Administration

Estimates for examining 27 concrete block of stones required for 04 work had been prepared and a sum of Rs.3,528,914 had been paid after obtaining reports of 16 concrete block of stones alone.

4. Accountabilty and Good Governance

4.1 Budgetary Control

Significant variances were observed between the budgeted and actual revenue and expenditure of the year under review as shown below. It was thus observed that the budget had not been utilized as an efficient instrument of management control.

- (a) Savings in 08 items of expenditure totalling Rs.73,188,176 ranged from 16 to 89 percent.
- (b) Adverse variances in 04 items of revenue totalling Rs.30,485,893 ranged from 16 to 66 per cent.

4.2 Internal Audit

Adequate internal audit had not been carried out in terms of Financial Regulations 133 and 134 of the Republic of Sri Lanka and the circular No. දපසා/යහ/01/න.ව.ලේ of 24 February 2014 of the

Southern Commissioner of Local Government. The Internal audit programme had not been prepared in consultation with the Auditor General in terms of Financial Regulation 134. Meanwhile, copies of internal audit reports had not been furnished to audit.

4.3 Audit and Management Committees

Action had not been taken by end of the year under review to establish Audit and Management Committees in terms of the Management Audit Circular No.DMA/2009(1) of 09 June 2009.

4.4 Unresolved Audit Observations

Action had not been taken to identify and settle the credit balance of the Suspense Account amounting to Rs.65,791 which had been set off against the Accumulated Fund without making the required adjustments in the year 2015.

5. Systems and Controls

Deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of control.

- (a) Fixed assets
- (b) Collection of revenue
- (c) Budgetary control
- (d) Accounting