

Weeraketiya Pradeshiya Sabha
Hambantota District

1. Financial Statements

1.1 Presentation of Financial Statements

While Financial Statements for the year 2017 had been submitted to Audit on 11 May 2018, the Auditor General's Report relating to the year under review was sent to the Chairman on 31 August 2018.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Weeraketiya Pradeshiya Sabha 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

Following accounting deficiencies were observed.

- (a) Work Creditors amounting to Rs. 5,618,400 and Work Debtors amounting to Rs. 2,900,654 as at the end of the year under review had been overstated.
- (b) Expenditure incurred totaling Rs. 477,030 on account of construction works during the year under review had not been capitalized.
- (c) While Courts Fines Revenue amounting to Rs. 149,749 for the month of December of the year under review had not been accounted, Courts Fine Revenue for February had been overstated in a sum of Rs. . 57,500.
- (d) The sum of Rs. 97,092 received on account of a work completed during the preceding year had been accounted as a revenue of the the year under review.

1.3.2 Non—reconciled Accounts

The total of disparities between 08 accounts balances shown in the financial statements and balances relevant to those shown in the subsidiary books and schedules amounted to Rs. 1,968,989.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

- I. Action had not been taken even up to the end of the year under review to recover Fair Lease Money amounting to Rs. . 822,420 relevant to the yea 2007 for which cases had been filed and the sum of Rs. 906,430 receivable on account of Machinery and Equipment hire, relevant to the years 2013 and 2014 due from the Urban Development Authority.
- II. While a sum of Rs.1,156,080 was in arrears on account of hiring out the machinery and equipment belong to the Sabha, out of that a sum of Rs. 906,430 was relevant to the years 2013 and 2014.

(b) Accounts Payable

Action had not been taken during the year under review too, to settle the sum of Rs. 120,099 being salaries payable and the sum of Rs.41,893 payable to the Employees Trust Fund which were beng brought forward continuously n the financial satements.

1.3.4 Lack of Evidence or Audit

Three items of accounts totaling Rs. 258,150 could not be satisfatrily vouched in audit due to non-rendidtion of required information..

1.3.5 on-compliance with Laws Rules, Regulations and Management Decisions.

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

Reference to laws, rules, regulations and Management decisions	Value	Non-compliance
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	Rs.	
(a) Pradeshiya Sabha (Financial and Administrative) Rules-1988 Rule 177	352,500	When purchasing an Information Management System tender procedure had not been followed
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka		

I.	Financial Regulations 103 and 104	Action had not been taken with regard to cab vehicle accident took place during September 2017
II.	Financial; Regulation 1645	Log Books in Form 267 had not been properly maintained and updated for each month.
(c)	Public Administration Circular no. 30/2016 Dated 29 December 2016	Fuel consumption of eight vehicles belong to the Sabha had not been tested.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs.10,040,908 as compared with the excess of revenue over recurrent expenditure for the preceding year amounted to Rs.10,773,593.

2.2 Revenue Administrations.

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

Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under and preceding year as furnished are shown below.

Source of Revenue	2016				2017			
	Estimated Revenue Rs.	Revenue Billed Rs.	Revenue Collected Rs.	Total arrears as at 31 December Rs.	Estimated Revenue Rs.	Revenue Billed Rs.	Revenue Collected Rs.	Total arrears as at 31 December Rs.
i Rates and Taxes	2,590,500	3,362,197	3,864,936	4,447,880	2,552,740	2,545,846	2,218,419	4,897,419
ii Rent	19,033,400	15,663,003	14,672,993	2,556,651	17,475,600	15,182,347	13,062,501	2,392,141
iii Licence Fees	1,972,900	2,241,553	2,269,794	96,158	1,948,500	1,789,480	1,789,852	95,000
iv Other Revenue	15,557,500	11,940,798	4,947,136	19,654,715	17,263,630	8,890,273	4,146,079	4,682,768
Total	39,154,300	33,207,551	25,754,859	26,755,404	39,240,470	28,407,946	21,216,851	12,067,328

2.2.2 Performance in Revenue Collection Management

While Revenue Billed during the year under review had been Rs.. 33,207,551, out of that a sum of Rs. 25,754,859 had been collected. Revenue in arrears amounting to Rs. .12,067,328 at the end of the preceding year had Increased to Rs. 26,755,404 at the end of the year under review.

2.2.3 Rates

While Rates in arrears balance as at the end of the year under review amounted to Rs. 4,424,310 a sum of Rs. 1,359,327 was due to be recovered 146 rates units with balance exceeding Rs. 5,000. Action had not been taken to recover Rates in terms of Section 158(1)(a) of the Pradeshiya Sabha Act No. 15 of 1987.

2.2.4 Stalls Rent

Following matters were observed.

- (a) While action had not been taken to lease out 06 stalls in Weeraketiya Public Market and earn income even up to the end of the year under review, those remained idle since the years 2011 and 2016 respectively.
- (b) Although stalls No. 02 and 07 in the Walasmulla Public Market had been given to a lessee having called for tenders during the year 2011, a sum of Rs. 324,00 had been lost to the Sabha Fund, due to non-recovery of any amount from that year even up to 27 December 2017.
- (c) Stalls No. 10 in Public Market had not been gilled for a long period. Monthly assessed rent at the rate of Rs. 2,500 relevant to that period had been lost to the Sabha.
- (d) In terms of paragraph 06 of the circular No. දපපා/පපාකො/2010/01 dated 27 December 2010 of the Southern Province Commissioner of Local Government, assessed leased rent should be revised once in 05 years through a new assessment, However, last assessment of 04 stalls in Pasmanhandiya, Weeraketiya and 10 stalls in Weeraketiya Public Market had been made during the years 2006 and 2011 respectively.
- (e) Rent had not been recovered for stall No. 12 in the Walasmulla Super Market based on the valuation report dated 18 September 2017. Due to that, a sum of Rs. 383,550 relevant to period from October to December 2017 had been lost to the Sabha Fund.
- (f) According to paragraph 05 of the circular referred to in paragraph (d) above, all agreements should be updated once in 03 years. However, agreements had not been updated with regard to 04 stalls in Pasmanhandiya, Weeraketiya and 59 stalls in Walasmulla area of authority.

2.2.5 Business Tax and Trade License Fees

A sum of Rs. 40,800 and a sum of Rs. 11,625 were outstanding to be recovered as at the end of the year under review on account of Business Tax and Trade License Fees, as action in terms of Section 149, 150 and 152 of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken.

2.2.6 Court Fines and Stamp Fees

Court Fines amounting to Rs. 3,136,770 and Stamp Fees amounting to Rs.16, 517,945 Receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2017. Out of that, Court Fines amounting to Rs. 2,814,574 and Stamp Fees amounting to Rs. 2,185,426 had been received during May 2018.

3. Operating Review

3.1 Performance

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public thoroughfares, generally with the protection and promotion of the comfort convenience and welfare of the people and amenities by the Pradeshiya Sabha under Section 3 of the Pradeshiya Sabha Act No. 15 of 1987 are shown below.

(a) Works not performed

Eleven development proposals amounting to Rs. 5,500,000, to be fulfilled and included in the budget for the year 2017, had not been fulfilled during the year under review.

(b) Delays in fulfillment of works

Although a sum of Rs. 350,000 had been received for fulfillment of 03 works during the year under review, action had not been taken to enter into agreements even up to the end of the year.

(c) Sustainable Development Targets

Long term plans for up-lifting living condition and health of the people in the area of authority of the Sabha through global index agenda 2030, targeting sustainable development objectives, had not been prepared by the Sabha.

3.2 Management Inefficiencies

Approval had not been obtained from the Ceylon Electricity Board, in terms provisions in Circular No. PE/01/01 dated 17 August 2017 of the Ministry of Power and Energy with regard to street lamps fixed in the area of authority of the Sabha. Due to that, charges had been reimbursed only for 656 street lamps out of 3032 street lamps maintained out of the Sabha Fund.

3.3 Human Resources Management

Following observations are made.

- (a) There were excess of 13 persons relevant to 07 posts and vacancies of 16 persons relevant to approved cadre of the Sabha as at 31 December of the year under review.
- (b) Action had not been taken even up to 17 June 2018 to recover loan balances totaling Rs. 237,066 due from 12 officers who had vacated service or dismissed from service.

3.4 Assets Management

3.4.1 Assets not recorded

Information relating 12 lands and building belong to the Sabha had not been recorded in the Register of Fixed Assets.

3.4.2 Non-assuring of security of assets

Although recommendations had been made in the 2016 Board of Survey Report for Land and building connected with security such as bordering fences of lands, construction of security fences, unauthorized occupants in lands and cultivations etc. those had not been implemented.

3.4.3 Idle Assets

Road compacting machine costing Rs. 6,645,000 purchased utilizing Sabha Funds remained idle since the year 2012 to the end of the year under review.

3.4.4 Assets not vested

Legal ownership of 34 lands and buildings and 08 Sabha vehicles utilized and maintained by the Sabha had not been vested in the Sabha.

3.4.5 Non-identified Assets

Extent of lands not identified in the fixed assets survey carried out relevant to the preceding year was 07 acres.

3.4.6 Vehicles Utilization

Revenue Licenses for the year under review had not been obtained for 06 vehicles belong to the Sabha.

3.5 Procurement Plan

Procurement Plan had not been prepared for the year under review by the Sabha.

4. Accountability and Good Governance

4.1 Budgetary Control

The budget had not been made use of as an effective tool of management as material variances between the budget for the year under review and the actual revenue and expenditure were observed as shown below.

- (a) While the total savings of 08 items of expenditure was Rs. 18,761,006, those values were in a range from 10 to 43 percent.
- (b) while the adverse variance of three items of revenue was Rs. 12,175,218, those values were in a range from 18 to 53 percent.
- (c) While a sum of Rs. 2,546,292 had been earned in excess of the estimated revenue under 03 revenue items, those values were in a range from 14 percent to 83 percent.

4.2. Audit and Management Committees

Although 04 meetings of Audit and Management Committees should be conducted annually at the rate of 01 meeting per quarter in terms of Management Audit Circular No. DMA/2009(1) dated 09 June 2009, only 03 meetings had been conducted for the year under review,

5. Systems and Control

Deficiencies observed in audit were brought to the attention of the Sabha from time to time. Special attention should be made in respect of following areas of systems and controls.

System -----	Deficiency -----
(a) Accounting	I. Instances of omissions, understatements and over statements. II. Existence of differences between values shown in the financial statement and subsidiary registers.

- (b) Revenue Administration
 - I. Delays in recovering arrears of revenue.
 - II. Non-identification of new revenue generating sources
 - III. Non-recovery of stalls rent according to new assessment reports.

- (c) Assets Management
 - I. Failure to take action to vest ownership of lands, buildings and vehicles.
 - II. Failure to test fuel consumption of vehicles.

- (d) Budgetary Control
 - I. Material variances between the budget and the actual revenue and expenditure.
 - II. Failure to take action to reach budgeted targets.

