

Weeraketiya Pradeshiya Sabha

Hambantota District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented for audit on 29 March 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 29 May 2019 and 07 June 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in the basis for qualified opinion section 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 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

(a) Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) Twenty nine lands vested with the Sabha with title deeds by various parties during the previous years, totally valued at Rs.913,625, had not been brought to account.	All fixed assets should be brought to account.	Action will be taken to rectify in future.
(ii) Thirty three assets totally valued at Rs.686,240 purchased as well as received as donations during the year under review had not been capitalized.	All fixed assets should be brought to account.	Action will be taken to rectify in future.
(iii) Six buildings totally valued at Rs.6,763,976 had been constructed by the Pradeshiya	All fixed assets should be brought to account.	Action will be taken to rectify in future.

Sabha during the year under review and the previous years. These, had not been brought to account.

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| (iv) | Revenue from stamp fees for the year under review had been understated in the accounts by Rs.237,110. | Revenue of the year should be correctly brought to account. | Money had been received after preparing the accounts. Therefore, not included in the accounts. |
| (v) | Provision for creditors amounting to Rs.525,000 had been made for 05 roads constructed by using the machinery of the Sabha by utilizing the members' provisions received during the year under review. | Correct amount of creditors should be brought to account. | Although the machinery of the Sabha had been utilized, a separate account is maintained for machinery. As such, provision for creditors had been made. |

(b) Unreconciled Accounts

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
Differences totalling Rs.213,577 existed between the balances of 03 items of accounts totalling Rs.5,754,964 and the balances shown in the related subsidiary registers/schedules.	Action should be taken to reconcile differences and rectify balances.	Action will be taken to correct the schedules.

(c) Lack of Necessary Documentary Evidence for Audit

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
Five items of accounts aggregating Rs.470,291,634 could not be satisfactorily vouched in audit due to non-mention of necessary information.	Evidence to confirm balances of accounts should be furnished.	Register of assets will be properly updated. Detailed schedules will be prepared and furnished.

1.4 Non-compliance

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

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
(a) 1988 Pradeshiya Sabha (Finance and Administration) Rule 193	The revenue and expenditure had not been reconciled with the budget and a statement showing reasons for surpluses and deficits had not been furnished.	Should act according to the rule.	Will be prepared and furnished soon.
(b) Financial Regulation 702(3) of the Democratic Socialist Republic of Sri Lanka.	Copies of agreements of contracts had not been furnished to the Auditor General.	Should act according to the Financial Regulation.	Action will be taken to furnish in future.
(c) Paragraph 05 of the circular No.දළපා/පළාතො/2010/01 of 27 December 2010 of the Southern Commissioner of Local Government	Agreements of 57 stalls had not been updated every 03 years.	Action should be taken according to the circular.	All agreements had been updated.
(d) Sub section (1)(v) of schedule V of the Gazette Extra Ordinary No.1597/8 of 17 April 2009 issued by the Minister of Urban Development and Praja Bhoomi.	Fees had not been recovered for the telecommunication tower constructed in the authoritative area of the Sabha.	Action should be taken in terms of the Gazette Notification.	Action will be taken to carry out a survey of telecommunication towers and to issue development licences.

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 2018 amounted to Rs.13,601,699 as compared with

the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.10,040,909.

2.2 Revenue Administration

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

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	2018				2017			
	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	1,740,000	1,909,941	1,364,750	4,966,389	1,782,500	1,883,302	2,237,777	4,447,880
Lease Rent	17,356,000	17,165,685	16,308,004	3,206,486	14,401,800	13,680,993	13,516,772	2,556,651
Licence Fees	1,787,000	1,724,170	1,688,086	126,367	1,520,900	1,744,575	1,745,417	96,158
Other Revenue	10,153,000	13,261,847	5,742,832	32,969,481	12,014,000	11,940,798	4,947,136	19,654,715
Total	56,537,200	34,061,643	25,103,672	41,268,723	29,719,200	29,249,668	22,447,102	26,755,404

2.2.2 Performance in Collection of Revenue

Audit Observation	Recommendation	Comments of the Accounting Officer
The arrears of revenue as at 01 January of the year under review amounted to Rs.26,775,404 and the billing of the year amounted to Rs.34,061,643. Accordingly, the overall revenue to be collected during the year amounted to Rs.60,817,047. However, the amount collected during the year amounting to Rs.25,103,672 had resulted in a progress of 41 per cent in revenue collection.	Arrears of revenue should be recovered soon.	Stamp fees due from the Provincial Council amounts to Rs.32 million. As such, an extensive arrears is shown. Requests had been made to send the money soon. The progress will be 85 per cent after receiving it.

2.2.3 Rates and Taxes

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) The arrears of rates and taxes as at 01 January of the year under review amounted to Rs.4,447,880 and the billings of the year amounted to Rs.1,909,041. Accordingly, the rates and taxes to be recovered during the year amounted to Rs.6,357,821. However, the revenue collected amounted to Rs.1,364,750 showing a progress in recovery of revenue of 21 per cent.	Progress in recovery of rates should be increased.	Special arrangements had been made to increase progress in collection of revenue.
(b) Rates and taxes recoverable as at 31 December of the year under review amounted to Rs.4,938,581. Action had not been taken to recover the arrears in terms of Section 158(1) of the Pradehiya Sabha Act.	Arrears of revenue should be recovered.	Arrangements will be made to recover arrears.

2.2.4 Licence Fees

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
The licence fees estimated for the year under review amounted to Rs.1,787,000 and the revenue billed amounted to Rs.1,724,170. Accordingly, 96 per cent of the estimated revenue only had been billed.	Estimates should be correctly prepared.	Bills are prepared and recoveries made from really existing places.

2.2.5 Court Fines and Stamp Fees

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Court fines and stamp fees due from the Chief Secretary of the Provincial Council and other authorities amounted to	Arrears of court fines and stamp fees should be recovered soon.	Action is being taken to recover court fines and stamp fees soon.

Rs.680,358 and Rs.32,289,123 respectively.

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 No.15 of 1987, 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) **By-laws**

Audit Observation

Recommendation

Comments of the Accounting Officer

Although by-laws were needed to fulfil 30 main functions in terms of Section 126 of the Pradeshiya Sabha Act, by-laws had been enacted for 17 functions only by 31 December 2018.

Action should be taken to enact by-laws.

Authority had not been granted for 10 out of 13 functions for which by-laws had not been enacted. Other government institutions had been established for other matters.

(b) **Sustainable Development Target**

Audit Observation

Recommendation

Comments of the Accounting Officer

The Sabha had not prepared a long term plan to uplift the living standards and health of the public of the authoritative area of the Sabha by the global indicators referred to in the 2030 Agenda of the Sustainable Development relating to Sustainable Development Objectives and targets.

Indicators to measure sustainable development objectives and targets should be identified and the progress achieved should be measured accordingly.

Programmes had been prepared and provision spent so as to fulfil the sustainable development objects and targets.

3.2 Management Inefficiencies

	Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a)	A sum of Rs.317,250 had been paid to a private institution in 2017 to purchase 03 management information systems. However, those had not properly functioned and action had also not been taken to suitably make use of it.	The system should be adjusted in such a manner so as to make best use of it.	Discussions had been held with the respective institution for necessary adjustments.
(b)	Action had not been taken to recover from the officers responsible the fines of Rs.63,679 paid while obtaining revenue licences for vehicles in 2018.	Fines should be recovered from the officers responsible.	Revenue licences had not been obtained for many years due to free licences. But, fines had been levied while obtaining revenue licences in 2018. This had been paid from the funds of the Sabha.

3.3 Human Resources Management

	Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a)	Action had not been taken even up to end of the year under review to fill 15 vacancies in the cadre and regularize 04 excesses.	Vacancies in the cadre should be filled and the excesses regularized.	Action is being taken to make recruitments for 10 vacancies in the cadre. The Governor's approval had been obtained for the remaining 05 vacancies. As such, action will be taken for recruitment.
(b)	Five officers of the Sabha had been assigned with duties other than their approved duties.	Officers should be engaged in approved duties.	Assigned with essential duties as there are vacancies. Approved duties will be assigned after recruitment of employees.
(c)	Action had not been taken even during the year under review to recover employees' loans totalling Rs.234,066 due from 11 officers who had been transferred or vacated posts.	Employees' loans should be recovered.	Action is being taken to recover employees' loans in instalments.

3.4 Operating Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
Action had not been taken to recover rent on the basis of assessments made on 29 June 2017 with regard to stalls of the Super Market, Walasmulla.	Assessed rent should be recovered.	Fifty per cent had been deducted from recoveries up to October 2018 with the approval of the Chief Minister. Assessed rent will be recovered thereafter.

3.5 Assets Management

3.5.1 Assets not acquired

Audit Observation	Recommendation	Comments of the Accounting Officer
Legal ownership of 67 crematorium of the Sabha had not been acquired even by 31 December 2018.	Ownership of land should be acquired.	Action is being taken to acquire legal ownership of 67 crematoriums.

3.5.2 Idle and Under-utilized Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
The crematorium building constructed by spending Rs.12 million in 2015 remained idle.	Action should be taken to use assets.	All necessary work had been completed by now. As such, action will be taken to open it soon.

4. Accountability and Good Governance

4.1 Budgetary Control

	Audit Observation	Recommendation	Comments of the Accounting Officer
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(a)	Adverse variances in 02 items of revenue aggregated Rs.6,822,656 ranging from 20 to 23 per cent.	Feasible estimates should be prepared.	Decrease in revenue had been due to 50 per cent recovery of rent and non-receipt of stamp fees revenue.
(b)	Savings aggregating Rs.5,379,358 occurred in 04 items of expenditure ranging from 27 to 69 per cent.	Feasible estimates should be prepared.	Savings in expenditure heads were due to expenditure incurred economically as compared with the previous years.