

**Weeraketiya Pradeshiya Sabha  
Hambantota District**

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**1. Financial Statements**

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**1.1 Presentation of Financial Statements**

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The financial statements for the year 2019 had been presented for audit on 02 March 2020 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 17 June 2020 and 30 June 2020 respectively.

**1.2 Qualified Opinion**

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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 2019 and its financial performance for the year then ended in accordance with generally accepted accounting principles.

**1.3 Basis for Qualified Opinion**

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**(a) Accounting Deficiencies**

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<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(i) The expenditure of Rs. 4,888,601 incurred on developing 10 properties of the Sabha during the previous years and the year under review had not been capitalized.	Development expenditure of properties should be capitalized.	Action will be taken to rectify in future.
(ii) The key money of Rs. 1,469,000 receivable on lease of 05 stalls during the previous year had not been brought to account.	Action should be taken to enter the key money receivable in the accounts.	The key money had not been paid during the agreed period and as such action had been taken to cancel the leasing rights in 2019. As a result, this had not been entered in the accounts considering it as non-receivable by the Sabha.

- (iii) Stamp fees revenue of Rs. 2,755,045 of the year under review had not been brought to account. Stamp fees revenue should be correctly brought to account. According to the schedule received by the Sabha , a total sum of Rs. 13,775,224 had been brought to account.

**(b) Unreconciled Accounts**

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Differences amounting Rs. 51,580,694 existed between the balances of 4 accounts aggregating Rs. 457,726,723 and the corresponding balances appearing in the schedules / registers.	Action should be taken to correctly furnish the subsidiary registers relating to balances shown in the accounts.	Difference had occurred during the error caused while preparing the schedule. This will be rectified in future.

**(c) Lack of Necessary Documentary Evidences for Audit**

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Information needed for audit of 16 items of accounts aggregating Rs. 145,626,591 had not been furnished.	Evidence to confirm balances of accounts shown in the financial statements should be furnished.	Action will be taken to correctly prepare the detailed schedule and age analysis.

**1.4 Non - compliance**

**1.4.1 Non – compliance with Laws, Rules, Regulations and Management Decisions**

	<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Non compliance</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a)	134(2) of the Pradeshiya Sabha Act No. 15 of 1987	Action had not been commenced to recover rates and taxes by identifying the developed areas within the authoritative area of the Sabha.	Action should be taken according to the Act.	Necessry action is being taken.

(b)	1988 Pradeshiya Sabha (Finance and Administration) Rule 193	A statement showing reasons for surpluses and deficits relating to items of revenue and expenditure had not been furnished along with the budget.	Action should be taken according to the rules.	Action will be taken to rectify.
(c)	<b>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</b>			
(i)	FR 134(3)	The internal audit report of the year under review had not been furnished for audit.	Action should be taken according to the financial regulation	Steps had been taken for necessary action.
(ii)	FR 371(5)	Advances of Rs. 135,555 obtained during the previous year and the year under review had not been settled even by end of the year.	Action should be taken according to the Financial Regulation	The sum of Rs. 125,555 obtained for election duties had been settled. Action will be taken to settle the balance of Rs. 10,000.
(iii)	FR 571	Action had not been taken to settle the lapsed deposits of Rs. 324,215.	Action should be taken according to the Financial Regulation	Steps had been taken for necessary action.
(iv)	FR 702(3)	Copies of agreements of contracts had not been furnished to the Auditor General.	Action should be taken according to the Financial Regulation	Steps had been taken for necessary action.
(v)	F.RR 1645(b), (c) and 1646	Daily running charts and monthly performance summaries of 17 vehicles of the Sabha had not been furnished to audit during the year under review.	Action should be taken according to the Financial Regulation	Steps had been taken for necessary action.

**(d) Public Administration  
Circulars**

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| (i)  | Paragraph 3.1 of the Circular No. 30/2016 of 29 December 2016   | Consumption of fuel by 19 vehicles of the Sabha had not been tested.                        | Action should be taken according to the provisions in the circular. | Necessary action will be taken.  |
| (ii) | Paragraph 4.3 (a), (1) of letter No. PED/REG/2015/08 of 09 October 2015.  | Action had not been taken to recover the balances of employees' loans of Rs. 9,264 of 2005. | Employees' loans should be properly recovered.                      | Necessary action will be taken.  |
| (d)  | Paragraph 05 of the circular No. දළභා/භභාකො/2010/01 of 27 December 2010 of the Commissioner of Local Government | Agreements of 26 stalls of the Sabha had not been updated.                                  | Action should be taken according to the provisions in the circular. | Action will be taken to update the agreements during the appropriate period. |

**2. Financial Review**

**2.1 Financial Results**

According to the financial statements presented, the revenue over recurrent expenditure of the Sabha for the year ended 31 December of the year under review amounted to Rs.27,595,351 as compared with the revenue over recurrent expenditure of the preceding year amounting to Rs. 13,601,699.

**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	2019				2018			
	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.
(i) Rates and Taxes	2,854,000	2,993,291	3,035,100	4,924,579	1,740,000	1,909,941	1,364,750	4,966,389
(ii) Rentals	23,856,000	25,602,292	23,225,245	5,583,533	17,356,000	17,165,685	10,500,898	3,206,486
(iii) Licence Fees	2,163,000	1,886,919	1,951,199	62,087	1,787,000	1,724,170	1,688,086	126,367
(iv) Other Revenue	11,891,000	20,133,194	15,317,785	62,527,505	10,153,000	13,261,847	5,742,832	32,969,481
	40,764,000	50,615,696	43,529,329	73,097,704	56,537,200	34,061,643	19,296,566	41,268,723

### 2.2.2 Rates and Taxes

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) Rates and taxes of Rs. 4,741,405 was recoverable as at end of the year under review. Action had not been taken to recover the arrears in terms of Section 158(1) of the Act.	Action should be taken to recover arrears of rates and taxes.	Immediate action will be taken to recover arrears of rates and taxes.
(b) Rates of properties should be assessed every 5 years. However, the tax for the year under review had been recovered on the basis of assessment made in 2002.	Assessment should be revised every 5 years.	Action will be taken to recover taxes and taxes in 2021 on the basis of assessment made in 2018.
(c) Action had not been taken to recover the trade tax of Rs.155,250 and the acerage tax of Rs.27,925 receivable as at end of the year under review.	Action should be taken to recover the arrears of trade tax and acerage tax.	Trade tax and acerage tax of Rs. 6,000 respectively had 504 been recovered. Action will be taken to recover the balance.

### 2.2.3 Rent

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) The estimated rent and the billed for the year under review amounted to Rs.23,856,000 and Rs.25,602,292 respectively. As such, feasible estimates had not been prepared.	Feasible annual estimates should be prepared.	The value had increased due to implementation of new assessments and identification of new sources of revenue from rent.
(b) The sum of Rs.112,370 and Rs.5,432,413 respectively due from lease of 15 stalls of the Sabha and lease of fair due as at end of the year under review had not been recovered.	Action should be intensified for recover of arrears of revenue.	A sum of Rs.35,850 had been recovered from 5 stalls. Recovery of balance will be intensified. Legal action had been taken to recover arrears of fair tax.

## 2.2.4 Court Fines and Stamp Fees

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### Audit observation

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Court fines and stamp fees of Rs.1,499,903 and Rs.61,027,602 were receivable from the Chief Secretary of the Provincial Council and other authorities as at end of the year under review.

### Recommendation

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Action should be taken to recover arrears of court fines and stamp fees from relevant authorities.

### Comments of the Accounting Officer

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Request had been made to the Chief Secretary to obtain all receivables.

## 3. Operating Review

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### 3.1 Performance

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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 of public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

#### (a) Bye – Laws

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### Audit observation

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Although bye-laws had to be prepared for 30 main matters under Section 126 of the Pradeshiya Sabha Act, 29 bye-laws only had been enacted even by end of the year under review.

### Recommendation

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Action should be taken to enact bye-laws

### Comments of the Accounting Officer

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Action will be taken to enact bye-laws according to the necessity.

#### (b) Non – achievement of the Expected level of Completion

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### Audit observation

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Provision amounting to Rs.7,100,000 had been made for 71 development proposals in the budget for the year under

### Recommendation

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Attention should be paid to fulfil development proposals included in the budget.

### Comments of the Accounting Officer

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Development proposals had been executed with the approval of the Sabha by revising the budget

review. Of these, 3 proposals valued at Rs.300,000 only had been executed. Further, 9 projects valued at Rs.900,000 for which provision had not been made in the budget had been executed.

considering the necessity arising on the basis of special matters.

**(c) Fulfilment of Sustainable Development Objectives**

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
The Sabha had not prepared long term plans to uplift the living standards and health of the public of the authoritative area of the Sabha through the global index relating to sustainable development.	An index to measure sustainable development objectives and targets should be identified and the progress in achievement of targets should be annually measured accordingly.	Many proposals subjected to sustainable development targets had been fulfilled by projects executed by the Sabha. Action will be taken in future to prepare and execute proposals directly targeted in the index.

**3.2 Management Inefficiencies**

	<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a)	The computer equipment valued at Rs.766,750 purchased for the electronic library during the previous year could not be used. As such, its period of validity has expired.	Action should be taken to utilize assets.	Maximum necessary facilities had been given to members of the library for reference of books. Recruitments will be made for posts and equipment will be made use of.
(b)	The crematorium of the Sabha remained idle by end of the year under review.	Immediate action should be taken to fulfil common welfare facilities.	Action will be taken to utilize in future.

### 3.3 Human Resources Management

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#### 3.3.1 Vacancies in the Cadre and Excesses

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<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) Action had not been taken to fill 13 vacancies in the approved cadre and to regularize 14 excesses.	Action should be taken to regularize the excess cadre and to fill vacancies in posts.	Five vacancies are required to be filled by the Chief Ministry and action will be taken to fill the rest of vacancies.
(b) Four officers of the Sabha had been assigned with duties other than the duties relevant to them.	Officers should be assigned with approved duties.	Proper recruitment will be made for vacancies in posts and subsequently the employees concerned will be assigned with duties relevant to them.
(c) Annual performance agreements and a human resources plan had not been prepared for the overall staff in terms of the Public Administration Circular No.02/2018 of 24 January 2018.	Action should be taken to prepare the relevant agreements and plan according to the provisions in the circular.	Will be rectified in future.

### 3.4 Assets Management

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#### 3.4.1 Maintenance of / repairs to Vehicles

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<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Revenue licenses for 04 vehicles of the Sabha had not been obtained for the year under review.	Action should be taken to obtain annual revenue licenses.	Revenue licenses could not be obtained for 03 vehicles as there were no registration certificates and the hand tractor is lying as production in the courts. This is not in running condition.



### 3.4.2 Assets not Acquired

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Action had not been taken to obtain legal ownership of 04 playgrounds, 07 community centres, 69 crematoriums and 06 vehicles of the Sabha.	Action should be taken by the Sabha to obtain legal ownership of assets.	Documentary information relating to 02 tractors out of 06 vehicles are not available and as such these could not be acquired. Action being is taken to acquire the remaining vehicles. Provision is not available to survey crematoriums, community centres and playground, As such, there is delay in acquiring them.

### 3.4.3 Idle / Under utilized Assets

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) Action had not been taken to earn revenue from 2 stalls in front of the Walasmulla market.	Action should be taken to give on rent / lease the stalls belonging to the Sabha.	Action will be taken to call for tenders to give these stalls in future.
(b) The Sabha had purchase a Management Information Systems in 2017. Of these, the record room information system valued at Rs.90,000 was malfunctioning.	Action should be taken to develop and utilize the assets of the Sabha.	The suppliers had been requested to attend to the required development.

## 3.5 Procurement

### 3.5.1 Procurement Plan

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Proper procurement plan had not been prepared for the year under review.	Action should be taken in terms of the Procurement Guidelines.	Action will be taken to rectify in futures.

### 3.5.2 Supplies and Services

	<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a)	Goods and services totaling Rs.495,540 obtained during the year under review were purchases not included in the procurement plan.	Needs of the year should be identified and the procurement plan should be prepared accordingly.	Purchases had been made by obtaining approval after considering the periodical needs.
(b)	An extra expenditure of Rs.43,500 had occurred as a result of the procurement activities contravening paragraph 5.6.7 the 2006 Procurement Procedures while making purchases valued at Rs.136,100.	Action should be taken in terms of the Procurement Guidelines.	Action will be taken to rectify in future.