

Weligepola Pradeshiya Sabha
Ratnapura District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to audit on 02 March 2020 and the summary report and the Detailed Management Report of the Auditor General on the financial statements had been issued to the Chairman on 30 June 2020.

1.2 Qualified Opinion

In my opinion, except for the effects 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 Weligepola 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

	Audit Observation	Recommendation	Comments of the Accounting Officer
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(a)	The stamp fees received amounting to Rs.12,424,970 relating to preceding years had been brought to account as the revenue of the year under review.	The revenue relating to the preceding years should be adjusted through accumulated fund.	Action will be taken to pay a special attention in respect of these matters from subsequent year.
(b)	Accrued motor vehicle repairs expenses of Rs.72,150 relating to the year under review had not been brought to account.	The expenditure relating to the year should be correctly identified and brought to account.	Action will be taken to avoid these weaknesses in future.
(c)	A difference of Rs.2,040,512 was shown between the balances as per the financial statements as at the end of the year under review relating to 02 items of accounts and the balances as per subsidiary register.	The balances shown in the financial statements should be reconciled with the subsidiary registers.	This difference will be rectified in preparing accounts in the subsequent year.

1.4 Non-compliances

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

The instances of non-compliance with laws, rules, regulations and management decisions are given below.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.			
(i) Financial Regulation 371 (2) (c)	Advances amounting to Rs.2,802,620 granted in 176 instances from the year 1988 to 2018 had not been settled.	Action should be taken in terms of Financial Regulations.	These advances remained for over a long period could not be settled and action will be taken to investigate further.
(ii) Financial Regulation 571	Action in terms of Financial Regulation had not been taken in respect of tender deposits and miscellaneous deposits amounting to Rs.106,721 relating to the period from the year 1996 to 2017.	Action should be taken in terms of Financial Regulations.	Action will be taken to take these money into revenue occasionally.
(b) Public Administration Circulars			
(i) Circular No.30/2016 dated 29 December 2016. paragraph 3.1	Fuel consumption tests of 03 vehicles of the Sabha had not been conducted properly.	Action should be taken in terms of the provisions of Circulars.	Fuel consumption tests will be carried out immediately.
(ii) Circular No.02/2018 dated 24 January 2018.	The performance agreements that should be signed annually for the staff had not been signed even by the end of the year under review.	Action should be taken in terms of the provisions of Circulars.	Action will be taken in terms of the Circulars in future.

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| (c) National Budget Circular No.02/2017 dated 25 July 2017. | Output indicators and main performance indicators relating to the output of the institutional role had not been identified. | The relevant indicators should be identified in terms of the provisions of Circulars. | Action will be taken to rectify weaknesses in future. |
| (d) Local Government Circular No.2018/e – Local Government 01 dated 19 July 2018. | The Sabha had failed to establish required facilities to provide opportunities for applying services through internet for the client. | Action should be taken to provide the facilities in terms of the provisions of Circulars. | The official web page had been established and public library with the electronic facilities will be opened to the public in near future and the other facilities for supplying services as well could have been given in the future. |

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 2019 amounted to Rs.8,698,546 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.2,922,465.

2.2 Revenue Administration

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

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

Source of Revenue	<u>2019</u>				<u>2018</u>			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December
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	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	9,064,500	8,475,917	10,418,688	3,742,527	8,398,900	8,849,065	7,735,275	5,946,338
Lease Rent	2,531,575	1,250,905	1,285,740	178,408	2,591,990	1,891,521	1,472,020	183,158
Licence Fees	1,838,200	1,434,054	1,434,054	-	1,160,250	1,469,208	1,454,908	-
Other Revenue	<u>13,235,800</u>	<u>24,237,759</u>	<u>20,966,583</u>	<u>11,884,326</u>	<u>9,536,000</u>	<u>8,275,405</u>	<u>11,880,508</u>	<u>8,043,012</u>
	<u>26,670,075</u>	<u>35,398,635</u>	<u>34,105,065</u>	<u>15,805,261</u>	<u>21,687,140</u>	<u>20,485,199</u>	<u>22,542,711</u>	<u>14,172,508</u>

2.2.2 Rates and Taxes

Audit Observation

Recommendation

Comments of the Accounting Officer

(a) Rates

The balance of arrears of rates amounting to Rs.3,652,850 as at the end of the year under review had included a sum of Rs.2,673,569 remained for over 05 years.

Prompt action should be taken to recover revenue receivable to the Sabha.

The requests had been received to write off the part of arrears due to the confused situation when imposing rates and taxes and action will be taken to recover other arrears.

(b) Acreege Tax

The balance of arrears of acreege tax amounting to Rs.81,677 as at the end of the year under review had included a sum of Rs.67,870 remained for over 05 years.

A verification on acreege tax should be conducted and should settle the arrears of revenue.

Action will be taken to conduct a verification.

2.2.3 Court Fines and Stamp Fees

Audit Observation

Recommendation

Comments of the Accounting Officer

The court fines and stamp fees identified as receivables as at 31 December 2019 from the Chief Secretary of the Provincial Council and other authorities amounted to Rs.1,242,833 and Rs.2,578,815 respectively.

The revenue receivable to the Sabha should be recovered expeditely.

The stamp fees schedules had been prepared and presented and the revenue from court fines had been identified at present.

3. Operating Review

3.1 Performance

The matters revealed in respect of the activities that should be carried out by the Sabha such as regularize and control over the matters of public health, public utility services and Public roads and comfort, facilities and wellbeing of the people under Section 3 of the Pradeshiya Sabha Act are given below.

(a)	<u>Action Plan</u> Audit Observation	Recommendation	Comments of the Accounting Officer
	<p>-----</p> <p>Even though, an action Plan for the year under review had been prepared, no proposals whatsoever had been included in the annual action plan in respect of development of authoritative area and upgrading welfare facilities provided for the people.</p>	<p>-----</p> <p>The proposals relating to development of authoritative area and providing welfare facilities should be included in the Action Plan.</p>	<p>-----</p> <p>Action will be taken to avoid the weaknesses made and to prepare future plans.</p>
(b)	<u>Solid Waste Management</u> Audit Observation	Recommendation	Comments of the Accounting Officer
	<p>-----</p> <p>According to the annual action plan it was planned to commence a compost fertilizer production project, but the Sabha had failed to implement that project during the year under review.</p>	<p>-----</p> <p>The provisions should be made and the respective project should be executed.</p>	<p>-----</p> <p>The project could not be executed due to the prevailing financial position of the Sabha and it will try to obtain provisions from some other source and to implement an arrangement in a primary level.</p>
(c)	<u>Sustainable Development Goals</u> Audit Observation	Recommendation	Comments of the Accounting Officer
	<p>-----</p> <p>Even though, the Sabha had aware in respect of the 2030 Agenda of Sustainable Development Goals, the long term plans to upgrade the livelihood and the health of the people of the authoritative area of the Sabha through global indicators for that objectives had not been prepared even by December 2019.</p>	<p>-----</p> <p>Sustainable Development plans should be prepared and executed.</p>	<p>-----</p> <p>The plans has been prepared for the year 2020.</p>

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>(a) The fixed charges only are being recovered from 166 water consumers whose water metres are in inactive condition for over a period of 02 years in 05 water projects which executed by the Sabha and action had not been taken either to repair the water metres which were inactive or to fix new metres even by the end of the year under review.</p>	<p>-----</p> <p>Action should be taken to fix water metres and to recover charges.</p>	<p>-----</p> <p>Action is being taken to obtain water metres from water supply and Drainage Board due to funds of the Sabha were not sufficient.</p>
<p>(b) Action had not been taken in terms of financial regulation 104 relating to the losses totalling Rs.43,217 which had not been reimbursed by the insurance claim relating to three motor vehicle accident caused in the years 2017 and 2019.</p>	<p>Action should be taken in terms of Financial Regulation.</p>	<p>Action will be taken to recover if the money has to be recovered from drivers and to settle the accounts.</p>

3.3 Human Resources Management

Staff Loans

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>The loan balances totalling Rs.82,450 relating to 04 employees remained outstanding for over a period of 06 years had not been settled.</p>	<p>-----</p> <p>Action should be taken to settle the loan balances.</p>	<p>-----</p> <p>Even though, it was informed from time to time, the loan balances could not be recovered and further action will be taken to recover.</p>

3.4 Operating Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>Action had not been taken either to remove or to regularize 03 unauthorized constructions identified in the year under review.</p>	<p>-----</p> <p>Action should be taken in respect of unauthorized constructions properly.</p>	<p>-----</p> <p>The action had been taken to inform the people of the area using the loud speakers, that all new constructions should be made with the approval of the Sabha and action will be taken to examine further.</p>

3.5 Assets Management

3.5.1 Assets not Recorded

Audit Observation

Even though, the non current assets amounting to Rs.62,978,721 had belonged to the Sabha by the end of the year under review, the assets registers relating to those had not been updated.

Recommendation

The assets registers should be maintained in an up-dated manner.

Comments of the Accounting Officer

A Register of Fixed Assets had been maintained and action will be taken to find deficiencies and to take action.

3.5.2 Failure to Perform Maintenance and Repairs

Audit Observation

Action had not been taken in respect of 05 motor vehicles which discarded from running.

Recommendation

Action should be taken either to repair of respective motor vehicles or to dispose.

Comments of the Accounting Officer

A quality report had been obtained to auction 02 motor vehicles, and the other vehicles will be auctioned or will be repaired on the decision of the Sabha.

3.5.3 Assets not Vested

Audit Observation

Action had not been taken for vesting of 04 motor vehicles which utilized by the Sabha.

Recommendation

The vehicles utilized by the Sabha should be vested.

Comments of the Accounting Officer

Action will be taken to investigate.

3.5.4 Idle/ Underutilized Assets

Audit Observation

As non-availability of proper arrangement in the Sabha to dispose sewage the gully bowsar received for the Sabha in the year 2014 had remained idle in the premises of the Sabha.

Recommendation

Action should be taken either to utilize the gully bowsar or to provide for a Local Government institution which having the necessity of a gully bowsar.

Comments of the Accounting Officer

With the implementation of the proposed sewerage system the gully bowsar could be utilized.

3.6 Procurements

3.6.3 Supplies and Services

Audit Observation

Five steel cupboards and an air conditioner had been purchased incurring Rs.193,158 without calling quotations at least from 03 institutions contrary to the provisions of the Guideline 3.4.1 (b) of the Government Procurement Guidelines.

Recommendation

Action should be taken in terms of the Procurement Guidelines in obtaining goods and services.

Comments of the Accounting Officer

The steel cupboards had been purchased from the institution quoted the lowest quotation which was selected by the Damro Company performing as an agent after being inviting quotations from the marketing companies.

4. **Accountability and Good Governance**

Unresolved Observations

Audit Observation

(a) The assessed lease rent should be revised even at least once in 05 years, in terms of paragraph 05 of the Circular No.2009/01 of the Commissioner of Local Government dated 09 March 2009; Nevertheless, the lease rent of 14 trade stalls had not been revised so on.

Recommendation

The leased properties should be assessed once in 05 years and the lease rent should be revised.

Comments of the Accounting Officer

The assessment of Opanayaka trade stalls had been carried out and action will be taken to assess other trade stalls.

(b) Action had not been taken in respect of the shortage of 36 items of goods identified in the Board of Survey in the year 2016 valued at Rs.43,250.

Action should be taken in terms of the Financial Regulations.

Action will be taken to inquire the then officers and to take action.