

Weligama Pradeshiya Sabha

Matara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 24 March 2014 and the financial statements for the preceding year had been presented on 27 March 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 19 December 2014.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Weligama Pradeshiya Sabha as at 31 December 2013 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 Non-compliance with Sri Lanka Public Sector Accounting Standards

(a) According to the Circular No.PED/54 of 19 January 2010 of the Director General of the Public Enterprises , the Local Authorities should prepare the financial statements in accordance with the Sri Lanka Public Sector Accounting Standards from 01 January 2011. Nevertheless, those Standards had not been followed.

(b) The cash flow statement had not been furnished along with the financial statements of the year under review.

1.3.2 Accounting Deficiencies

The following matters are observed .

- (a) The capital expenditure amounting to Rs.369,169 relating to the year under review had been written off against the income of the year as recurrent expenditure .
- (b) The debit balance of Rs.2,359,365 in the 10 per cent Retention Money Account had been deducted from the liabilities and shown in the financial statements.
- (c) Provisions for debtors had not been made for the value of Rs.63,310 receivable to the Sabha as reimbursement of the street lamps for the preceding year .
- (d) A sum of Rs.115,813 of the value of the library books and the generator received as donations not in cash in the year under review had been debited to the Assets Account and credited to the contributed capital Input Income to the income to capital formation Account and the aforesaid value had been accounted as a cash receipt as well as a payment

1.3.3. Unreconciled Control Accounts

According to the financial statements, the value of balances of 04 items of accounts amounted to Rs.7,742,478 whereas according to the supporting documents the value of those balances amounted to Rs.3,491,884 and as such, a difference of Rs.4,250,594 was observed.

1.3.4 Suspense Account

The credit balance of Rs. 65,791 in the Suspense Account shown in the financial statements as at 31 December of the year under review had not been settled.

1.3.5 Lack of Evidence for Audit

Evidence in respect of 04 balances of assets valued at Rs.123,652,765 and a balance of liability valued at Rs.27,649,776 shown in the financial statements had not been made available to audit.

1.3.6 Non-compliance with Laws, Rules and Regulations etc.

Instances of non-compliance with following laws, rules and regulations observed in audit are given below.

Reference to Laws, Rules, Regulations etc.	Non-compliance
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(a) Pradeshiya Sabha (Financial and Administration) Rules 1988 Rules 217-218	Lands and buildings belonging to the Sabha had not been annually surveyed.
(b) Circular No. 2002/02 of 28 November 2002 of the Secretary to the Treasury	A Register of Fixed Assets on computer accessories and software had not been maintained.

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 2013 amounted to Rs.20,051,774 as compared with the corresponding excess of revenue over recurrent expenditure amounting to Rs.50,909,519 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

The information on the estimated revenue, actual revenue and arrears of revenue for the year under review as presented by the Chairman is given below.

Items of Revenue	Estimated Income	Actual Income	Cumulative Arrears as at 31 December 2013
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	Rs.000	Rs.000	Rs.000
Rates	7,421	998	749
Lease Rent	5,144	193	139
License Fees	2,637	1,705	92

2.2.2 Rates

The total amount receivable as at 01 January 2013 had been Rs.1,331,313 comprising the arrears of rates of 1,060,880 and the billing amount of Rs.270,433 of the year . The amount recovered out of that amount was Rs.277,221 and the progress of the recovery had taken a trivial value as 20 per cent. The attention of the Secretary who is the authority of the recovery of the revenue according to the Section 158(1)(b) of the Pradeshiya Sabha Act, No.15 of 1987 had not been paid in this connection.

2.2.3 Lease Rent

The total amount receivable as at 01 January 2013 had been Rs.332,445 comprising the outstanding rents of Rs. 30,645 and the billing amount of Rs.301,800 of the year. Out of that, the amount recovered in the year had been Rs.11,270 and the percentage of the recovery had taken a trivial value as 3 per cent.

2.2.4 Court Fines and Stamp Fees

Court fines of Rs.2,210,961 receivable as at the end of the year under review from the Chief Secretary and other authorities of the Provincial Council are shown below.

2.2.5 Leasing out of Stall at Turkey Village Midigama Weligama

The ownership of those stalls had been vested to the Pradeshiya Sabha by the Weligama Divisional Secretary. Tenders had been called for the lease out of 10 stalls in the upstairs and 11 stalls in the ground floor of this complex on 25 November 2006.

The following matters are observed.

- (a) Lump sum tax of the owners of stalls number 09 and 10 had been in arrears at a rate of Rs.100,000 each.
- (b) Those stalls had not been billed and a sum of Rs.1,296,000 had been lost to the Sabha for 07 preceding years due to failure in billing.
- (c) Even though those stalls had been acquired by the owners of the stalls , stalls therein had not been maintained. However, a sum of Rs.63,012 had been paid to the Electricity Board as electricity charges for 10 stalls had been supplied in the name of the Sabha. A sum of Rs.1,622,743 had been payable to the Ceylon Electricity Board further more.

3. **Operating Review**

3.1 **Operating Inefficiencies**

- (a) A sum of Rs.1,687,374 had been spent for the maintenance of street lamps and other expenditure by the Sabha in the year 2013 and a sum of Rs.19,296 had been reimbursed by the Electric Engineer in Matara, thus resulting in an expenditure of Rs.1,668,078 to the Sabha Fund.
- (b) A sum of Rs.11,458,900 had been reimbursed by the Commissioner of Local Government in the year under review as the salaries of staff and Members' allowances. As the expenditure on salaries and allowances for the year amounted to Rs.12,936,597 an additional financial burden of Rs.1,477,697 had been caused to the Sabha Fund.

4. **Accountability and Good Governance**

Budgetary Control

Significant variances were observed between the income and expenditure shown in the Budget prepared by the Sabha for the year under review and the actual income and expenditure. Therefore, it was observed that the budget had not been made use of as an effective instrument of control.

5. **Systems and Controls**

Special attention of the Sabha is needed in respect of the following areas of systems and controls.

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Management