

Weligepola Pradeshiya Sabha

Ratnapura District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 30 March 2015 while Financial Statements relating to the preceding year had been submitted on 30 March 2014. The Auditor General's Report relating to the year under review was sent to the Chairman of the Sabha on 24 June 2015.

1.2 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 Weligepola Pradeshiya Sabha as at 31 December 2014 and its financial performance for the year then ended and cash flows in accordance with Sri Lanka Public Sector Accounting Standards.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following matters are observed.

- (a.) A totalled sum of Rs. 22,837,647 as Rs. 18,156,266 being the loan balance of had been restructured Local Loans and Development Fund and interest in arrears amounting to Rs.4,681,381 had been debited to the Accumulated Fund having credited the Loan Account and therefore debit balance had arisen in the Accumulated fund.

- (b.) Although expenditure totalling Rs. 303,383 relevant to the year under review should be debited to the relevant expenditure accounts and credited to the Creditors Account, those had been accounted through the Expenditure Heads of the ensuing year. Due to that, deficiency for the year under review had been understated to the extent of that value.
- (c.) Provision had not been made for sum of Rs. 4,888,374 payable to Construction Creditors relevant to the year under review.
- (d.) Although the Courts Fines Revenue for the year under review was Rs.1,891,410 a sum of Rs.2,020,118 had been as billing, overstating that revenue in a sum of Rs.128,708.

1.3.2 Non-compliance with Laws, Rules, Regulations etc.

 Following instances of non-compliance with Laws, Rules, Regulations and Management Decisions were observed in audit.

<u>Reference to Laws, Rules, Regulations etc.</u>	<u>Non-compliance</u>
(a.) Circular No. 2009/01 dated 09 March 2009 of the Commissioner of Local Government	- Eight stalls near the Openayake Public Market belong to the Sabha had been leased out since the year 1996 without entering into agreements with the relevant parties
(b.) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
(i) Financial Regulation 371	- Action had not been taken to settle Advances amounting to Rs. 2,371,861 paid during the years from 1988 or to obtain precise information.

- (ii) Financial Regulation No. 570, 571 and 572 - Action had not been taken in terms of the regulations referred to in with regard to unsettled Deposits amounting to Rs. 532,005 relating to the years from 1978 to 2012.
- (c.) Circular No. N.B.R.O dated 10 February 2011 of the Ministry of National Disaster Management - Although the Certificate of Fitness or recommendation should be obtained from the Organization of National Building Research compulsorily before granting permission for any construction to be made in Districts faced with the risk of earth slips, approval of the Chairman had been given for 20 building plans in the area of authority of the Sabha without a decision of the Planning Committee. Although it is further compulsory to pay attention with regard to implementation of the specified recommendation in issuing the Certificate of Conformity after completion of the construction, such procedure had not been implemented by the Sabha.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabah for the year ended 31 December 2014 had been Rs. 3,305,066 as compared with the corresponding excess of revenue over expenditure amounted to Rs.3,784,070 in the preceding year.

2.2 Analytical Financial Review

When compared with the preceding year surplus of the financial operations for the year under review had been decreased in a sum of Rs. 479,004. It was observed as decrease of 12.65 per cent. This was mainly due to increase in the recurrent expenditure and the decrease in the Rates Revenue during the year under review when compared with those for the preceding year.

2.3 Revenue Administration

2.3.1 Revenue, Actual Revenue and Arrears of Revenue

Information furnished by the Chairman relating to Estimated Revenue, Actual Revenue and Arrears of Revenue is shown below.

	Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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		Rs.'000	Rs.' 000	Rs. '000
(i)	Rates and Taxes	2,776	6,736	2,195
(ii)	Lease Rent	967	870	197
(iii)	Licence Fees	730	858	14
(iv)	Other Revenue	12,650	7,551	1,850

2.3.2 Performance in Revenue Collection

Although Rates and License Fees collected indicated an increase during the year under review over the estimated revenue, revenue collected as Lease Rent , Charges for Services, Warrants and Fines and Other Revenue had been less than the estimated revenue. Accordingly, an overall decrease of 19.72 per cent was indicated in collection of revenue.

2.3.3 Rates

While there were 1101 Rate Unit in arrear for more than Rs. 300 in the area of authority of the Sabha, value of those had been Rs.1,501,914.

2.3.4 Lease Rent

Following observations are made.

- (a.) While a sum of Rs.3,828 and a sum of Rs. 43,500 totalling to Rs. 47, 328 had not been received from the lessees of the Weligepola weekly Fair and the Fish Board respectively, it had been referred to the Conciliation Board to recover sums of Rs. 31,920 and Rs. 32,760 totalling to Rs. 64,680 as fines respectively.
- (b.) Revenue amounting to Rs.52,090 was in arrears relevant to the Weekly Fair and the Fish Board belong to the Sabha for the years 2009, 2013 and 2014. Out of that, cases had been filed against the individuals in arrear amounting to 33.190.

2.3.5 License Fees

Instead of recovering the Business License Fees having prepared a Register after carrying out a survey with regard to the business entities in the area of authority of the Sabha, it was observed that only those institutions already involved in paying Business License Fees are registered and recoveries are made on the basis of that Register. There were instances, where it was not possible to trace the business places recorded in the Business Taxes Trade Licenses Register for the year2013, in the relevant registers for the year 2014.

2.3.6 Court Fines and Stamp Fees

While the Pradeshiya Sabha is receiving court Fines from the area of authority of two Magistrate Courts, Revenue amounting to Rs. 413,374 was due to be recovered to the Pradeshiya Sabha Fund from one Court relevant to the years 2013 and 2014.

2.3.7 Permanent and Temporary Advertisement Boards Revenue

It was observed that, approval is not obtained through the Pradeshiya Sabha for all permanent and temporary advertisement boards, that recovery of relevant charges not taking place and payments made visiting the Office are only documented. Accordingly, revenue of Rs. 161,620 only had been received for 04 advertisement boards in respect of the year under review.

2.3.8 Telecommunication Tower Charges

Action had not been taken to recover in terms of provisions in the Extra Ordinary Gazette Notification of 1597/8 dated 17 April 2009 of Secretary to the Ministry of Urban Development and Sacred Lands to identify the un-identified Telecommunication Towers erected in the area of authority of the Sabah and to recover the relevant charges.

3. Operating Review

3.1 Management Inefficiencies

Following observations are made.

- (a.) Although a total sum of Rs. 88,854 as Rs. 37,343 during the year 2013 and as Rs. 51,551 during the year 2014 respectively, had been paid on account of pension contributions on behalf of retired Sabha Officers, information relevant to the officers and period were not revealed to audit.

- (b.) Cobra type street lamps valued at Rs. 951,000 had been purchased on a decision taken alone by the Chairman without a decision of the Technical Evaluation Committee. Out of those, 85 street lamp sets of Cobra type with capacities of 250 watts and 125 watts costing Rs. 810,000 and 40 street lamp sets of Cobra type with a capacity of 250 watts valued at Rs.422,500 purchased on credit basis on 27 November 2014 had been purchased disregarding circular recommendations of

the Secretary to the Ministry of Power and Energy. Out of the 72 street lamps with a capacity of 250 watts fixed without permission of the Ceylon Electricity Board, 23 street lamps had been disconnected by the Board at the time of audit in March 2015.

- (c.) Although the revenue billed for the year under review through the Hunuwala North, Pelanda Kanda Water Scheme operated with electricity power, implemented on the basis of a loan of Rs. 22,837,647 at 9 per cent interest obtained from the Local Loans and Development Fund had been 1,218,851, the amount received as revenue had been Rs. 941,782. While an expenditure amounting to Rs. 1,645,857 had been incurred for electricity bills alone, expenditure had been incurred for maintenance work and employees salaries as well. While a sum of Rs. 408,516 was due to be paid as interest for the loan referred to above, loan installments had not been paid continuously. Although it had been expected to obtain the quantity of water required for the water scheme through Malmeeekanda Water Scheme, that too had not been properly operated and it had not been possible to reduce the electricity bill.
- (d.) While 05 Water Projects are implemented through the Sabha, the revenue billed for those Projects had been Rs. 3,709,448. Out of that a revenue of Rs. 3,274,311 only had been received during the year under review. While an expenditure amounting to Rs. 5,426,515 had been incurred by the Sabha for these Projects, an operational loss of Rs. 1,717,067 had occurred to the Sabha Fund due to these Water Projects.
- (e.) Although action had been taken to survey and allot a part of land from the Madola, Gamsabhawatta, by the Divisional Secretary by letter dated 17 November 2014, Sabha had not taken action to mark the boundaries and finalize the work. The road constructed for access to that land at an expenditure of Rs.600,000 too had been washed off due to heavy rain.

3.2 Improper Transactions

Following matters observed.

- (a.) Although the Chairman is not entitled to obtain Combine Allowance for journeys performed within the area of authority of the Sabha, a sum of Rs. 73,000 during the year 2014 and a sum of Rs. 60,000 during the year 2013 totalling to Rs. 133,000 had been obtained. While expenditure amounting to Rs. 445,675 had been incurred out of the Sabha Fund during the year 2014 for journeys outside the area of authority of the Sabha, without any mention about own duties or the approval for duties, the need for those journeys or approval was not clarified. While Combine Allowance had been obtained as traveling within the area of authority of the Sabha for 146 days and as travelling outside the area of authority of the Sabha for 95 days totalling in all to 241 days during the year 2014, when 123 public holidays and Saturdays and Sundays as weekend holidays are taken into consideration, it was revealed that he had remained in the office for duties only for one day during the whole year.
- (b.) Vehicle Hiring Charges amounting to Rs. 385,500 had been paid 12816 kilometers during the period of carrying out repairs to the cab vehicle belongs to the Sabha without the approval of the Commissioner of Local Government or the General Sabha. Although approval had been given for 700 liters of fuel per month for the Chairman, contrary to that, a sum of Rs. 30,300 had been paid extra 250 liters of fuel for June and July 2014 out of the Sabha Fund further to that.

3.3 Contract Administration

(a.) Malme Kanda Water Project

While Malme Kanda Water Project had been implemented on direct labour basis, materials including 300 water meters had been purchased through the lowest price quoted entity, having spent a sum of Rs. 1,368,975, deviating from the

procurement procedure, without any approval and technical evaluation or obtaining at least a quality report. Although reimbursements amounting to Rs.1,773,390 had been sought from the Chief Ministry for the expenditure incurred out of the Sabha Fund in respect of the Project work performed during the year 2014, those bills had not been reimbursed up to 13 February 2015, date of audit. Water tanks and water pipes system rehabilitated through this Project had been abandoned.

(b.) Road Near Hunuwala South

At the physical inspection carried out on 13 February 2015 with regard to the Work performed having entered into an agreement for an estimate of Rs.1,770,000 with an approved Society for development of the road by tarring the road from Hunuwala South Bridge up to Pahalawela Road, it was observed that the work had been commenced and only 4”metal had been spread in the relevant road. The old unsteady retaining wall for canal boundary of the relevant work had been washed away to a length of about 50 meters and road surface to a width of about 07 meters due to floods after heavy rains.

(c.) Malme Kanda Road

Agreement had been entered into for a period of 03 months with an approved society under an estimate for Rs. 1,960,000 for the work relating to road development by tarring the Malme Kanda Road from 100 meters near the Opanayake Divisional Secretariat to one kilo meter and 400 meters. A part of this work from 100 meters to 700 meters had been subject to digging for gems by the residents of the area and severe damages had been caused to the surface of the road and due to that development work had been abandoned. A sum of Rs. 926,722 had been paid for development of the balance part without deducting retention money to the agreed society. Necessary steps had not been taken avoid the continuous damages taking place to this road up to 31 February 2015.

(d.) Kandaketiya Road

Agreements had been entered into for a period of 03 months relating to Kandaketiya Road Development and construction of Konegasthanna Ahuliyadda Road Culvert on 01 November and 08 August 2014 respectively. Although an advance of Rs. 498,000 had been granted to the approved society on 13 February 2015 for that, relevant works had not been commenced.

3.4 Projects Delays

Although it had been proposed to implement 10 Projects valued at Rs.800,000 under the budget proposals for the year 2014, it had been failed to implement 09 Projects valued at Rs. 700,000.

4. Systems and Controls

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

- (a.) Accounting
- (b.) Revenue Administration
- (c.) Assets Management
- (d.) Contract Administration