

Weligepola Pradeshiya Sabha

Ratnapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 08 April 2016 and the financial statements for the preceding year had been presented on 30 March 2015. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 23 May 2016.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters shown in paragraph 1.3 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 2015 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following accounting deficiencies are observed.

- (a) The value of dishonoured cheques should be debited to the Dishonoured Cheques Account till the value is recovered. However, dishonoured cheques amounting to Rs.133,400 had been treated as advances and brought to account.
- (b) The amount to be billed as garbage tax for the year under review regarding Revenue Head - Item No.2.13 amounted to Rs. 144,000. However, a sum of Rs.95,500 only had been brought to account thus understating the revenue of the year by Rs.48,500.
- (c) The expenditure that could not be paid during the year under review amounting to Rs.85,814 had not been adjusted in the relevant expenditure head and the creditors. Instead, this had been adjusted in the expenditure of 2016 and as a result the expenditure of the year under review and the liabilities had been understated by similar amounts.

- (d) Provision for creditors had not been made for the expenditure totalling Rs.768,849 which could not be paid from 2009 to 2014 and this had been debited to the accumulated fund during the year under review.
- (e) Assets valued at Rs.20,881,461 obtained as donations during the year under review had not been brought to account as Donation Reserve in the related Assets Account.

1.3.2 Unreconciled Control Accounts

A difference of Rs. 736,209 was observed between the balances appearing in the financial statements of the year under review and the balances of the subsidiary registers relating to 03 items of accounts.

1.3.3 Non Compliance with Laws, Rules, Regulations etc.,

Action had not been taken to settle the advances of Rs. 2,485,572 granted during 1988 to 2014 in terms of Financial Regulation 371 (2) of the Republic of Sri Lanka.

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 2015 amounted to Rs.4,188,432 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.3,305,066.

2.2 Analytical Financial Review

The financial operating surplus of the year under review had increased by Rs. 883,366 as compared with that of the previous year and it was observed that it was an increase of 26.73 per cent than the previous year. The increase in rates and taxes, lease rent, licence fees, fines and warrant charges and other revenue by 70,70,40,29 and 36 per cent respectively and the decrease in supplies and equipment and transport communication by 28 per cent and 10 per cent had mainly attributed to this.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and the Arrears of Revenue

The information furnished with regard to the estimated revenue, actual revenue and the arrears of revenue for the year under review appears below.

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
-----	-----	-----	-----
	Rs.'000	Rs.'000	Rs.'000
Rates and Taxes	3,508	7,219	4,411
Lease rent	1,169	1,476	73
Licence fees	731	1,203	58
Other revenue	55,470	35,054	6,196

2.3.2 Performance in Collection of Revenue

A comparison of the estimated revenue of the year under review with the revenue collected showed a decrease in revenue collected with regard to warrant charges and fines and other revenue by 49 per cent and 45 per cent respectively.

2.3.3 Rates and Taxes

- (a) The balance of arrears of the rates and taxes as at 30 September 2015 amounted to Rs.2,437,106. Of these, a sum of Rs.276,412 was due from 40 units of rates and taxes with arrears of over Rs.5,000 and it was about 11 per cent of the total value of arrears.
- (b) The rates and taxes of 09 villages declared as improved villages had been assessed with effect from 01 January 2014. But, the residents of these areas had informed that the facilities provided by the Sabha was not adequate and as such the rates and taxes of these areas had been written off on a decision made by the Sabha without the approval of the minister in charge of the subject. Accordingly, the Sabha had been deprived of a revenue of Rs.901,602 from those areas as at 30 September 2015.

2.3.4 Other Revenue

The following observations are made.

- (a) Even though Arrears of balances amounting to Rs.16,178 was due from one week end fair and 2 fish stalls from the year 2009 and action had not been taken to settle the arrears up to end of the year under review.
- (b) Limited quotations only had been obtained for many years for the lease of the week end fair and the fish stalls of the Sabha without calling for public tenders through newspapers. It was observed that the tender value of these properties had minutely increased for many years and the Sabha had lost the opportunity of getting the highest value by allowing for competitions while giving these properties on lease.

- (c) The monthly lease rent of stalls No. 01 to 08 of the Opanayake Public Market had been decided as Rs.300 per month in 1996. But, the lease rent had been increased to Rs.600 in 2007 without any assessments being made. Accordingly, decision had been made without assessments and action had not been taken to enter into agreements for the revised lease rent of Rs.600 per month.

2.3.5 Court Fines and Stamp Fees

The following observations are made.

- (a) The schedules for court fines amounting to Rs.163,541 receivable from the Embilipitiya magistrates' courts for the period 01 January to 30 July of the year under review had been obtained. But, there was delay in recovering the amount. Further, action had not been taken to identify the court fines of the Embilipitiya Magistrate's court from August of the year under review and the Balangoda Magistrate's Court from April of the year under review.
- (b) Action had not been taken to obtain the stamp fees schedule from the District Registrar of Land for the period 01 January to 31 December of the year under review and to recover the amount.

2.3.6 Trade Licence Fees

As compared with the previous year, out of the establishments that should obtain trade licences, 82 establishments had not obtained their licences during the year under review and the value of trade licences issued to 62 establishments in 2015 had been decided without assessing their annual revenue. The trade licences issued to 35 business establishments for the year under review appeared in the printed receipt book without being issued to those institutions up to 18 December 2015, the date of audit.

3. Operating Review

3.1 Operating Inefficiencies

Forty nine sets of Kroba of 250 watts high voltage had been installed between a distance of 80 to 100 ft on the main road from Hankaniwatte Junction to Opanayake for about a distance of 3 kilometres. In this connection, the Kahawatte Electrical Engineer had informed in writing that the usage of high tension bulbs without the authority of the Electricity Board may burn 06 transformers of the area.

3.2 Contract Administration

The following observations are made.

- (a) (i) A sum of Rs.8,960,000 was payable to contractors for 06 works implemented and completed by the Sabha under the “Door to door ,Village to village” Programme implemented by the government. However, the amount concerned had not been paid even by end of the year under review and 05 jobs valued at Rs. 9,959,770 commenced under the same programme had been suspended by the date of audit.
 - (ii) Further, the advance of Rs.1,694,488 received for 05 jobs had been paid to the contractors. But, 04 of those jobs had been stopped by the date of audit.
- (b) Renovations to the Madola Usaawiwaththa Play Ground Costing Rs. 490,196 had been implemented from the Funds of the Provincial Council on 07 July 2015 with an agreement for a period of 03 months. It was observed at an audit inspection carried out on 22 December 2015 that there were pot holes on the ground as a result of digging the soil and electricity wires had been pulled down at the corner of the playground without any protection. Although more than 04 months had elapsed with regard to the agreed period, the work had not been completed.
- (c) An advance of Rs.394,000 had been paid for the work pertaining to tarring and renovating the road leading from the South Hunuwela Bridge to the Pahalawela Road valued at Rs.1,770,000 as per agreement. Stones of 4 inches had been laid for the work and due to heavy rain the road had been washed away by floods. This was revealed at a physical verification carried out on 3 October 2014. But, no action, whatsoever, had been taken by 22 December 2015, the date of audit, to recommence the work.

3.3 Assets Management

Idle and Under Utilized Assets

The Mahendra cab bearing No.LF -4847 and the Double cab bearing No.53 – 5637 were beyond usage. However, action had not been taken to repair them or to auction them upto the date of audit. Meanwhile, three tractors bearing numbers RC – 6945, RA – 7230 and 270 – 2930 that could be repaired and used had not been properly repaired and it was observed in audit that these vehicles had been parked in the premises of the Sabha without being used.

3.6 Irregular Transactions

- (a) The Malmi Kanda Water Project had been implemented on a direct labour basis. A sum of Rs.1,368,975 had been spent in 2014 to purchase materials including 300 water

meters from the institutions which had quoted the lowest price without following the procurement procedure and without technical evaluation or by obtaining a status report and without obtaining approval. A sum of Rs. 445,000 had also been spent during the year under review in this regard.

- (b) The instructions of the Secretary to the Ministry of Power and Energy relating to street lighting as appearing in the circular dated 17 August 2010 had not been considered for the purchase of 70 sets of 250 watt Kroba type street lamps and 15 Kroba street lamps of 125 watts valued at Rs.810,000. The purchases had been made without the recommendations of the technical officer or the approval of the Sabha, deviating from the tender procedure.

4. Good Governance and Accountability

4.1 Budgetary Control

The entire provision of Rs.2,029,492 made for 27 objects had not been used for any purpose.

4.2 Annual Procurement Plan

A procurement plan had not been prepared and implemented for the year under review.

4.3 Internal Audit

Action had not been taken to establish an internal audit unit and operate it by affording necessary facilities to it.

4.4 Implementation of Audit and Management Committees

Action had not been taken to establish and implement Audit and Management Committees.

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
- (d) Contract Administration