

**Devinuwara Pradeshiya Sabha**  
**Matara District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

Financial Statements for the year under review had been submitted to Audit on 09 April 2015 while Financial Statements relating to the preceding year had been submitted on 07 May 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 21 July 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 Devinuwara Pradeshiya Sabha as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Deficiencies**

Following deficiencies are observed.

- (a) Although Capital Expenditure amounting to Rs. 355,971 had been incurred from the Sabha Fund, the amount spent for that had not been capitalized.
- (b) Lands in extent of 23 perches belong to the Sabha at the end of the year under review had not been assessed and accounted.
- (c) While work proposals only had been received for two projects, allocation of provisions or entering into agreements had not been made. However, provision for Debtors and Creditors amounting to Rs. 5,000,000 had been made for those and due to that the value of Debtors and Creditors had been overstated to that extent.

- (d) While there was provision for Creditors amounting to Rs. 1,000,000 for the construction of retaining wall in the Rukgaha Junction on the Aparakugama Main Road according to the financial statement for the year under review, according to the Works Creditors Register, value of that was observed as Rs. 200,000 and therefore Creditors had been overprovided in a sum of Rs. 800,000.
- (e) Although an amount payable to a person as at 31 December of the year under review was Rs. 818,567, it had been shown as Rs. 1,118,567 under Creditors in the financial statements. Due to that Creditors had been over calculated in a sum of Rs.300,000.
- (f) The balance of Rs. 24,195 as at 31 December of the year under review in the National Savings Bank Account No. 1-0039-01-3808-8 belongs to the Sabha had been omitted in the accounts.

### **1.3.2 Unreconciled Control Accounts**

While total of balances relevant to 06 items of accounts according to financial statements was Rs. 5,134,786, balance according to the subsidiary registers and information furnished it had been Rs. 494,855 and a difference of 4,639,931 was observed.

### **1.3.3 Accounts Receivable and Payable**

Value of Balances Receivable that had been outstanding for more than a year as at 31 December 2014 was Rs. 1,042,575.

- 1.3.4 (a) Value of Balances Payable that had been outstanding for more than a year as at 31 December 2014 was Rs. 5,108,386.
- (b) The sum of Rs. 821,995 shown in the Cash Transfer Account according to financial statement was being brought forward continuously since the year 2008, had not been settled during the year under review as well.

### **1.3.5 Lack of Evidence for Audit**

Fixed Assets Registers, Inventory Register, Board of Survey Reports etc. relevant to 05 items of accounts valued at Rs. 66,413,135 shown in the financial statements were not furnished to audit.

### **1.3.6 Non-compliance with Laws, Rules, and Regulations**

Instances of non-compliance observed in audit are shown below.

<b><u>Reference to Laws, Rules, and Regulations</u></b>	<b><u>Non-compliance</u></b>
(a.) <u>Pradeshiya Sabha (Financial and Administrative) Rules of 1988</u>	
(i.) Rule 193	A statement showing reasons for the surpluses and deficits, had not been submitted having compared the Budgeted and Supplementary Votes Expenditure with the actual expenditure.
(ii.) Rules 217- 218	Although Lands and Buildings belong to the Sabha should be verified at least once a year, such action had not been taken.

## **2. Financial Review**

### **2.1 Financial Results**

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2014 had been Rs.15,479,190 as compared with the corresponding excess of revenue over recurrent expenditure amounted to Rs.18,261,579 in the preceding year.

## **2.2 Revenue Administration**

### **2.2.1 Performance in Revenue Collection**

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

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	3,801	3,806	3,130
(ii.) Lease Rent	15,689	16,837	9,174
(iii.) Other Revenue	16,202	12,987	7698

### **2.2.2 Rates**

While Rates billed for the year under review was Rs. 1,964,721, only a sum of Rs. 888,681 had been recovered out that during the year and therefore the progress of recovery had been 59 per cent. While the balance of Rates in arrears as at beginning of the year under review was Rs. 1,171,321 a sum of Rs. 563,113 had been recovered out of that and the progress of recovery had been 20 per cent.

### **2.2.3 Lease Rent**

While Lease Rent in arrears as at the beginning of the year under review was Rs.215,898, amount billed for the year was Rs 6,114,556. The progress of recovery had been 68 per cent, as the receipts during the year amounted to Rs. 4,177,982.

### **2.2.4 Court Fines and Stamp Fees**

The amounts outstanding to be recovered from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2014 are shown below.

	Rs.
i. Court Fines	15,710,989
ii. Stamp Fees	367,111

### **3. Operating Review**

#### **3.1 Management Inefficiencies**

According to paragraph 11.5 of the Public Administration Circular No. 08/2005 dated 31 March 2005, the difference between the bank interest rate charged for property loans and the 4.2 per cent interest recovered from the officers should be reimbursed by the Government. However action had not been taken accordingly, to get reimbursement of interest amounting to Rs. 949,047 paid for the year under review from the Sabha Fund.

#### **3.2 Unauthorized Transactions**

In the event of incurring expenditure exceeding Rs. 1,000 out of Sabha Fund for civic reception or an incident of public importance, prior approval of the relevant minister should be obtained in terms of Section 132 of the Pradeshiya Sabha Act No. 15 of 1987. However, expenditure amounting to Rs. 108,023 had been incurred on festivals by the Sabha without such prior approval.

#### **3.3 Idle Assets**

While National Savings Bank Account No. 1-10039-01-3808-8 belongs to the Sabha had been opened on 30 May 2005 with an initial deposit of Rs. 22,400, although there was a balance of Rs. 24,195 as at 29 August 2007, the account had not been updated thereafter.

#### **3.4 Abandonment of Project**

An agreement had been entered into for a sum of Rs. 2,000,000 on 11 August 2014 for developing by applying tar on the road beginning from near Bomure Temple up to Wadigala Tsunami Villages. At the physical inspection carried out on 22 June 2015 it was observed that this Project had been abandoned without extending the dates as well.

### 3.5 Human Resources Management

Information relating to Cadre of the Sabha as at 31 December 2014 is shown below.

Category of Employees	Approved	Actual	Vacant	Excess
Tertiary	03	03	-	-
Secondary	21	19	02	-
Preliminary	44	31	13	-
Substitute	-	14	-	14
Total	68	67	15	14

- (i.) While a sum of Rs. 17,154,500 had been reimbursed from the Commissioner of Local Government as Salaries and Allowances and Members Allowance during the year under review, a sum of Rs. 24,851,869 had been spent as Salaries and Allowances and Members Allowance resulting in an additional expenditure burden of Rs. 7,697,369 to the Sabha Fund.
- (ii.) Although recruitment of employees in the Local Authorities on the basis of temporary, casual, substitute, contract or other basis had been suspended immediately vide Management Services Circular No. 14 dated 03 January 2002 and Management Services Circular No. 28 dated 10 April 2006 of the Secretary to the Ministry of Finance and Planning, a sum of Rs. 2,967,595 had been paid having recruited 14 employees during the year 2014 by the Sabha.

**4. Accountability and Good Governance**

**4.1 Budgetary Control**

The Budget had not been made use of as an effective tool of financial management as material variations were observed between budgeted revenue and expenditure and the actual revenue and expenditure.

**4.2 Audit and Management Committees**

Audit and Management Committees had not been established by the Sabha.

**5. Systems and Controls**

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

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Management
- (d) Stores Control