

**Weliwitiya Divithura Pradeshiya Sabha**  
**Galle District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

Financial Statements for the year under review had been submitted to the Audit on 31 March 2015 while Financial Statements relating to the preceding year had been submitted on 26 March 2014. The Auditor General's Report relating to the year under review was issued to the Chairman of the Sabha on 11 August 2015.

**1.2 Opinion**

In my opinion except for the effect on the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Velipitiya Divithura Pradeshiya Sabha as at 31 December 2014 and its financial performance for the year then ended in accordance with generally accepted accounting principles.

**1.3 Comments on Accounts**

**1.3.1 Accounting Policies**

Notes relating to Accounting Policies followed and assumptions made in preparation of the accounts had not been submitted together with the financial statements submitted for the year under review.

**1.3.2 Accounting Deficiencies**

Following observations are made.

- (a) Computers and Spare Parts valued at Rs.847,620 to be accounted under Computers and Accessories had been accounted under Plant and Machinery.
- (b) Expenditure incurred for insurance amounting to Rs. 38,464 to be debited to Maintenance and Repairs to Vehicles and Machinery Expenditure Head had been shown as Payments to Government Institutions for Services.

- (c) A sum of Rs.1,030,312 received during the year under review relevant to the year 2012 had been accounted as a receivable amount in the financial statements.

### **1.3.3 Non-reconciled Control Accounts**

A difference of Rs. 4,056,658 was observed between the balances according to financial statements and balances according to subsidiary registers relevant to 03 items of accounts.

### **1.3.4 Lack of Evidence for Audit**

Ownership Deeds, updated Register of Fixed Assets, Board of Survey Reports, Registration Certificates and Certificates of Confirmation of Balances were not furnished to audit relating to transactions totalling Rs. 52,019,810 shown in the financial accounts.

## **2. Financial and Operating 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 amounted to Rs.361,468 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 1,150,951.

### **2.2 Revenue Administration**

#### **2.2.1 Acreage Tax**

Action had not been taken during the year under review as well to recover the Acreage Tax for the year under review and the past years amounting to Rs.141,925 in terms of Section 158(1) (a) of the Pradeshiya Sabha Act No. 15 of 1987.

#### **2.2.2 Lease Rent**

Action had not been taken during the year under review to recover the Lease Rent for the year under review and the past years amounting to Rs.263,935 in terms of Section 159(1) of the Pradeshiya Sabha Act No. 15 of 1987.

### **2.2.3 Court Fines and Stamp fees**

Court Fines amounting to Rs. 169,416 and Stamp Fees amounting to Rs.4,962,599 were outstanding to be recovered from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2014.

## **3. Operational Review**

### **3.1 Management Inefficiencies**

#### **Non-vesting of Assets and Liabilities lawfully**

Although the accounts had been prepared based on the asset valued at Rs.4,606,306 and liabilities valued at Rs.2,740,757 decided to be transferred to the Velipitiya Divithura Pradeshiya Sabha by the Karandeniya Pradeshiya Sabha on the basis recommendations by the Assets and Liabilities Distribution Committee, the relevant assets and liabilities had not been legally vested in the Pradeshiya Sabha even as at 11 April 2015, date of audit.

### **3.2 Operational Inefficiencies**

#### **3.2.1 Purchase of Street Lamp Equipment**

While a sum of Rs.518,750 had been spent for the purchase of street lamp equipment during the year 2014, a sum of Rs.840,064 had been spent for the maintenance of street lamps.

Following observations are made in this connection.

- (i.) According to the Circular No.PFG/12/91 dated 16 March 1998 of the Ministry of Irrigation and Power, containing instructions with regard to fixing street lamps newly; it is required to obtain prior approval from the Ministry of Irrigation and Power. However, street laps had been fixed without obtaining such approval.
- (ii.) Agreements had not been signed with Electricity Board.
- (iii.) A Register had not been prepared showing details of street lamps maintained in the area of authority. When issuing accessories for maintenance of street lamps, relevant street lamps are not specifically identified and therefore there was no methodology to evaluate the durability of accessories fixed.

### **3.3 Under-utilized Assets**

#### **The Tipper Vehicle bearing No. LK-9588**

The Tipper Vehicle bearing No. LK-9588 had been received to the Sabha on 11 September 2013 under Pura Neguma Project. Following matters were observed at the audit inspection carried out in this connection.

- (i.) It had not been possible utilized this vehicle for development and welfare activities as this vehicle with a capacity of 2.5 cubes cannot be run in the narrow roads in the area of authority of the Sabha.
  
- (ii.) Although a hire charge revenue of Rs.128,000 had been earned by giving the tipper vehicle on hire during the year 2014, a totaled sum of Rs.167,040 had been spent as Rs.76,368 for fuel expenses and a sum of Rs.90,672 as other expenses. Accordingly, a loss of Rs.39,040 had occurred to the Sabha from operational works of the Tipper Vehicle during the year 2014.

### **4. Accountability and Good Governance**

#### **Budgetary Control**

It was observed that there were variations of revenue between the budget estimates and the actual revenue and there were savings in certain items of expenditure. Accordingly, it was observed that the budget had not been made use of as an effective tool of management.

### **5. Systems and Controls**

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

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