

## Devinuwara 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 the Audit on 02 May 2016 and the financial statements for the preceding year had been presented to the Audit on 09 April 2015. The Report of the Auditor General for the year under review was sent to the Secretary of the Sabha on 25 November 2016.

##### 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 Devinuwara Pradeshiya Sabha as at 31 December 2015 and its financial performance for the year then ended in accordance with the Generally Accepted Accounting Principles.

##### 1.3 Comments on Financial Statements

###### 1.3.1 Accounting Deficiencies

The following accounting deficiencies were observed during the course of audit.

- (a) The sum of Rs.2,743,975 receivable in respect of the year under review under the Pradeshiya Sabhas Strengthening Programme had not been brought to account.
- (b) The sum of Rs.923,363 spent in the year under review for the construction of the protection netting fence of the Miriswatta land belonging to the Sabha had not been capitalized.
- (c) The sum of Rs.200,500 spent for carrying out improvements to the fixed assets and the sum of Rs.237,750 spent for the installation of the security camera system of the Sabha during the year under review had not been capitalized under the fixed assets.
- (d) The cost of the Tractor received as a donation to the Sabha in the preceding year had been understated by a sum of Rs.392,000.

###### 1.3.2 Unreconciled Control Accounts

Differences totalling Rs.36,181,235 were observed between the balance relating to 10 items of account included in the financial statements and the balances appearing in the subsidiary registers / schedules relating thereto.

###### 1.3.3 Suspense Account

Action had not been taken even during the year under review for the settlement of the credit balance of the Suspense Account amounting to Rs.821,995 brought forward in the financial statements from periods prior to the year 2007.

#### 1.3.4 Accounts Receivable and Payable

Even though an outstanding other revenue balance amounting to Rs.78,168 , a works creditors balance amounting to Rs.898,683 , the sundry creditors balance amounting to Rs.2,130,684 and an unpaid salaries and wages balance amounting to Rs.731,068 older than 03 years existed, steps had not been taken even during the year under review for the settlement of those balances.

#### 1.3.5 Lack of Evidence for Audit

In view of the failure of produce the evidence such as the properly maintained Register of Fixed Assets, Inventory Register and the Report of the Annual Boards of Survey in respect of lands, buildings and other fixed assets, the schedules in respect of library books, works debtors balances, refundable assets and fixed deposits totalling Rs.23,755,544, the schedules and subsidiary registers in respect of works creditors balance amounting to Rs.5,413,454 and the general debtors balances amounting to Rs.1,852,089 and the schedules and Registers of Deposits in respect prepayments amounting to Rs.825,551 , those could not be satisfactorily examined in audit.

### 2. Financial Review

#### 2.1 Financial Results

According to the financial statements presented, the excess of revenue over the recurrent expenditure of the Sabha for the year ended 31 December 2015 amounted to Rs.19,474,448 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounting to Rs.15,479,190. Accordingly, the financial results of the year under review, indicated an improvement of Rs.3,995,258.

#### 2.2 Analytical Financial Review

The following observations are made.

- (a) The recurrent expenditure of the year under review, as compared with the preceding year, represented a high range of 73 per cent of the total recurrent revenue.
- (b) A summarised statement of the total Recurrent Revenue, the Revenue Grants, the Self-generated Revenue and the total Recurrent Expenditure of the year under review and the two preceding years is given below.

Year	Total Recurrent Revenue	Revenue Grants	Self-generated Revenue	Total Recurrent Expenditure	Recurrent Expenditure exceeding the Self-generated Revenue
	Rs.	Rs.	Rs.	Rs.	Rs.
2015	73,421,269	30,683,938	42,737,331	53,946,821	(11,209,490)
2014	58,564,900	18,166,192	40,398,708	43,085,710	(2,687,002)
2013	56,978,572	14,708,690	42,269,882	38,716,993	3,552,889

The following observations are made in this connection.

- (a) The Revenue Grants indicated a considerable improvement in the year under review and the two preceding years whilst, the self-generated revenue of the year under review, as compared with the preceding year, indicated a minor improvement.
- (b) The recurrent expenditure of every year had continuously increased at a fast pace and the attention of the Sabha had not been paid for controlling that position.
- (c) The recurrent expenditure of every year had increased over the self-generated revenue and if not for the receipt of Revenue Grants, it would not have been possible in whatsoever manner to cover the recurrent expenditure from the self-generated revenue of the Sabha.
- (d) In view of the position shown at (c) to (e) above, it is observed that the attention of the Sabha should be paid for increasing the revenue position of the Sabha, that a formal course of action for that purpose should be prepared and implemented and if such action is not taken, it would create problems relating to the financial position of the Sabha, thereby causing adverse impacts on the going concern of the Sabha.

## 2.3 Revenue Administration

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### 2.3.1 Rates and Taxes

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Even though a sum of Rs.5,154,841 comprising the opening outstanding balance and the billings for the year remained recoverable, 16 per cent of the outstanding balance and 37 per cent only had been recovered. Action in terms of Section 158(1)(A) of the Pradeshiya Sabhas Act, No. 15 of 1987 had not been taken for the recovery of the arrears balance.

### 2.3.2 Acreage Tax

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Out of the sum of Rs.64,398 comprising the opening outstanding Acreage Tax and the billings for the year that remained recoverable, a sum of Rs.1,970 only had been recovered. Nevertheless, action in terms of Section 158(1)(A) of the Pradeshiya Sabhas Act, No. 15 of 1987 had not been taken for the recovery of the arrears balance.

### 2.3.3 Rents

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Recoveries of 21 per cent of the opening outstanding balance and 50 per cent of the billings only had been made during the year. As such, the arrears balance as at the end of the year amounted to a considerable sum of Rs.9,758,631. A formal course of action had not been implemented for the recovery of the arrears.

### 2.3.4 Courts Fines and Stamp Duty

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Courts fines amounting to Rs.722,579 and the Stamp Duty amounting to Rs.18,375,079 remained receivable as at 31 December 2015 from the Chief Secretary to the Provincial Council and other Authorities.

### 2.3.5 Other Revenue

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The sum of Rs.281,757 recoverable for hiring the JCB Machine during the year 2014 had not been recovered.

## 3. Operating Review

### 3.1 Progress on the Execution of Capital Work Proposals

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Even though the estimated capital expenditure for the year under review amounted to Rs.568,669,000 the actual capital expenditure amounted to Rs.57,502,916 , thus resulting in savings amounting to Rs.511,166,084. The savings had been 90 per cent of the estimated provision. Accordingly, retrogression position with regard to the utilization the provisions made for development activities for the intended purposes was observed.

### 3.2 Management Inefficiencies

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The following observations are made.

- (a) The excess cadre in the posts of the Secondary and Primary Levels had been 09 and action had not been taken to formalisation those posts.
- (b) Action had not been taken for the recovery of the loan balances amounting to Rs.59.933 remaining outstanding from the year 2011.

### 3.3 Operating Inefficiencies

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The difference of Rs.1,011,498 in the Bank interest on the property loans of 15 officers due for reimbursement from the Commissioner of Local Government had not been obtained as reimbursement even by the end of the year under review.

## 4. Good Governance and Accountability

### 4.1 Budgetary Control

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The limits of expenditure of 04 items of expenditure in the budget for the year under review had been exceeded by Rs.7,037,643 whilst the savings under 04 items of expenditure totalled Rs.10,267,665 and the targeted revenue of 04 items of revenue not earned amounted to Rs.7,274,622. As such the budget had not been made use of as an effective instrument of financial management control.

### 4.2 Internal Audit

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Even though an adequate internal audit had not been carried out as specified in the Financial Regulations 133 and 134 of the Financial Regulations of the Republic of Sri Lanka and the Circular No. දපපා/යහ/01/නවමලේ dated 24 February 2014 of the Commissioner of Local Government of the Southern Province, a sum of Rs.499,752 had been paid in the year under review as salary and allowances to the Internal Audit Officer.

#### 4.3 Audit and Management Committee

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Action in terms of the provisions in the Management Audit Circular No.DMA/2009(i) dated 09 June 2009 had not been taken even by the end of the year under review for the establishment of the Audit and Management Committee.

#### 4.4 Assets Management

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The following observations are made.

(a) Idle and Underutilized Assets

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Any course of action whatsoever had not been taken even by the end of the year under review in connection with 03 motor vehicles costing Rs.1,369,760 and 02 Cab motor vehicles, the value of which had not been stated, lying idle.

(b) Assets not Transferred

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Five motor vehicles totalling Rs.45,945,129 in value had been used by the Sabha without transferring the ownership in favour of the Sabha.

#### 5. Systems and Controls

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Special attention of the Sabha is drawn to the following areas of systems and controls.

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