

Welivitiya Divithura Pradeshiya Sabha

Galle District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2016 had been presented to audit on 30 March 2017 and the financial statements for the preceding year had been presented on 30 March 2016. The report of the Auditor General for the year 2016 had been forwarded to the Secretary of the Sabha on 27 October 2017.

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 of the Welivitiya Divithura Pradeshiya Sabha as at 31 December 2016 give a true and fair view of the financial position for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounts Receivable and Payable

The following matters were observed.

- (a) Action had not been taken even by end of the year under review to recover Rs. 93,119 out of the balances of acerage tax of Rs. 154,799 as at commencement of the year under review.
- (b) Action had not been taken during the year under review to settle the sum of Rs. 4,018,638 payable for 07 jobs completed during the previous year.

1.3.2 Lack of Evidence for Audit

Files or any other information, whatsoever, had not been furnished to audit regarding the sum of Rs. 84,643 payable for 03 jobs completed before 15 April 2016.

1.3.3 Non – compliance with Laws, Rules, Regulations and Management Decisions

The following instances of non – compliance with laws, rules and regulations were observed in audit.

Reference to Laws, Rules Regulations etc.,	Non – compliance
(a) 1988 Pradeshiya Sabha (Finance and Administration) Rules	
(i) Rule 33	A list of persons who had neglected payment of acherage tax and a list of distrainig order for properties had not been prepared.
(ii) Rule 59	A survey had not been carried out within the authoritative area of the Sabha to prepare a list of industries.
(b) Financial Regulation of the Republic of Sri Lanka 110	A register of losses and damages had not been maintained.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha the year ended 31 December 2016 amounted to Rs.5,778,929 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.2,487,077. A comparison of the financial results with the preceding year shows an improvement in financial results amounting to Rs. 3,291,852 during the year under review. Increase in 05 items of revenue amounting to Rs. 3,370,467 and the decrease in 04 items of expenditure amounting to Rs.607,279 had mainly attributed to this.

2.2 Working Capital Management

The current and the quick ratios of the year under review were satisfactory. But, the balance remaining recoverable amounting to Rs. 12,715,645 and delayed settlement of balances of creditors of Rs. 4,018,638 were existing in the balances of creditors. As a result, it was observed that the liquidity position was not so sound as shown by those ratios.

2.3 **Revenue Administration**

2.3.1 **Acerage Tax**

The acerage tax recoverable for the year under review and the previous years amounted to Rs. 175,872. Of this, a balance of Rs. 104,596 remained as arrears by end of the year. Accordingly, proper procedures had not been formulated and adopted to recover the arrears in terms of provisions in Section 158(1)(a) of the Pradeshiya Sabha Act No. 15 of 1987.

2.3.2 **Court Fees and Stamp Fees**

Stamp fees of Rs. 20,495,938 and court fines of Rs. 87,500 were due from the Chief Secretary of the Provincial Council and other authorities as at end of the year under review.

3. **Operating Review**

3.1 **Performance**

The revenue from rent and the warrant charges and penalties expected to be earned during the year under review amounted to Rs. 1,416,700 and Rs. 615,500 respectively. But, the amount earned during the year amounted to Rs. 556,420 and Rs. 120,203 respectively.

3.2 **Management Inefficiencies**

The following matters were observed.

- (a) Action had not been taken to fill 06 vacancies in the cadre and to regularize the excess cadre in 02 posts.
- (b) An average monthly balance of Rs.3,386,833 existed in 02 bank current accounts of the Sabha during the year under review. But, the Sabha had not paid attention to invest the surplus money so as to earn revenue from interest.

3.3 Operating Inefficiencies

Non reimbursement of the amount due on street lights

According to the circular of the Ministry of Power and Energy No.PE/01/01 dated 17 August 2010, street lights should be installed by obtaining approval. The expenditure of Rs. 176,490 incurred in this connection could not be reimbursed as a result of not doing so.

3.4 Idle / Under utilized Assets

The land cruiser bearing No.LE-7470 and a generator remained in the premises of the Sabha without being safely kept as action had not been taken to repair and make use of them or to dispose of them as required by the Circular No.02/2015 of 10 July 2015 of the Secretary to the Ministry of Finance.

3.5 Solid Waste Material Management

The following matters were observed

- (a) The garbage had been separated and collected in a selected area of the Sabha and had been disposed of, without proper procedures resulting in increase of flies and mosquitoes.
- (b) The garbage had been disposed of, in a steep land. Approach to the land had been difficult and as such the garbage had been disposed of, in a closer place. The Sabha had not taken action to dispose of, the garbage in terms of Sections 93 and 94 of the Pradeshiya Sabha Act. No.15 of 1987

4. Good Governance and Accountability

4.1 Budgetary Control

There were adverse variances aggregating Rs.8,594,539 in 05 items of revenue and favourable variances aggregating Rs.561,573 in 02 other items of revenue of the budget of the year under review. As such, it was observed that the budget had not been used as an effective instrument of management control.

4.2 Internal Audit

Internal audit had not been carried out in accordance with the Financial Regulations 133 and 134 of the Republic of Sri Lanka and the circular No. දපපා/යහ/01/නා.ව.මළ. of 24 February 2014 of the Commissioner of Local Government (Southern Province)

4.3 Implementation of Audit and Management Committees

Action had not been taken even by end of the year under review to establish Audit and Management Committees in terms of the Management Audit Circular No. DMA/2009 (i) of 09 June 2009

5. Systems and Controls

Deficiencies observed during the course of audit were brought to the notice of the Sabha by audit queries from time to time. Special attention in needed respect of the following areas of systems and controls.

System	Main Deficiency in the System
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(a) Accounting and Maintenance of Registers.	(i) The schedules furnished with the financial statements does not tally with the register maintained by the Sabha. (ii) A register of losses had not been maintained
(b) Control over Vehicles	(i) A register of vehicles had not been maintained (ii) Consumption of fuel by vehicles of the Sabha had not been tested (iii) Action had not been taken to dispose of, idle vehicles
(c) Collection of Revenue	(i) Proper procedures had not been formulated and adopted to recover arrears of revenue (ii) Action had not been taken to recover stamp fees revenue in an updated manner

- (iii) The Sabha had not paid attention with regard to new revenue generation programmes
 - (iv) Action had not been taken to gazette the developed areas and to recover rates and taxes
- (d) Budgetary Control
 - (i) The entire provision of an item of expenditure had been saved.
 - (ii) Expenditure in excess of the approved provision had been incurred in another item of expenditure
 - (iii) Targets of 05 items of revenue had not been achieved
 - (iv) Attention had not been paid to take follow up action regarding revenue and expenditure and to revise the budget accordingly.
- (e) Accounts Receivable
 - Action had not been taken to settle long outstanding balances of accounts receivable.