

Devinuwara Pradeshiya Sabha

Matara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented for audit on 29 March 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 25 May 2019 and 31 May 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the basis for qualified opinion section 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 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

(a) Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) The loan instalments of Rs.168,275 paid to the Local Loans and Development Fund during the year under review had been entered in the accounts as capital expenditure.	Should be correctly brought to account.	Action is being taken to make rectifications.
(ii) Furniture and equipment purchased for Rs.40,814 during the year under review had not been capitalized.	Assets should be correctly capitalized.	Action is being taken to make rectifications.
(iii) The revenue from rent of buildings amounting to Rs.120,000 received during the previous year on behalf of the year under review had not been brought to account as revenue of the year under review.	Should be correctly brought to account.	Action is being taken to make rectifications.

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| (iv) | Work creditors had been understated in the accounts by Rs.4,569,458 as at end of the year under review. | Creditors should be correctly brought to account. | Action is being taken to make rectifications. |
| (v) | Work debtors had been overstated in the accounts by Rs.3,537,482 as at end of the year under review. | Debtors should be correctly brought to account. | Action is being taken to make rectifications. |
| (vi) | Warrant charges and the fines billed for the year under review amounting to Rs.798,030 had been brought to account as Rs.760,056. | Should be correctly brought to account. | Action is being taken to make rectifications. |
| (vii) | The cost of fixed assets disposed of, by auction during the past year had not been specifically identified. Instead, a sum of Rs.762,310 had been written off from the accounts on first in first out basis. | Should be correctly brought to account. | Action is being taken to make rectifications. |
| (viii) | Miscellaneous revenue of Rs.307,057 receivable as at end of the year under review had not been brought to account. | Should be correctly brought to account. | Action is being taken to make rectifications. |

(b) Unreconciled Accounts

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Differences aggregating Rs.40,840,231 were observed between the balances of 06 items of accounts aggregating Rs.81,040,613 as per financial statements and the related balances appearing in the subsidiary registers/ schedules.	Action should be taken to reconcile the differences of balances concerned and to rectify accounts.	Cause of differences in balances will be found out and will be furnished with schedules while furnishing the final accounts in the ensuing year.

(c) Lack of Necessary Documentary Evidence for Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
Twelve items of accounts aggregating Rs.220,862,959 could not be satisfactorily vouched in audit due to non rendition of necessary information.	Evidence to confirm the balances of accounts shown in the financial statements should be furnished.	Action will be taken to make rectifications in future.

1.4 Non-Compliance

1.4.1 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with laws, rules, regulations and management decisions appear below.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
(a) 1988 Pradeshiya Saba (Finance and Administration) Rules			
Rule 17	A register for all counterfoil books should be maintained. However, the Sabha had not entered certain counterfoil books in the register	Action should be taken according to the rules.	Action will be taken to rectify in future.
Rule 59	A list of industries had not been prepared at commencement of each year.	Action should be taken according to the rules.	Action will be taken to rectify in future.
Rule 61	A register of Industrial Tax in Form Specimen No.P.S 26 had not been maintained.	Action should be taken according to the rules.	Action will be taken to rectify in future.

Rule 143	The refundable deposits ledger had not been monthly reconciled and the total of balances adjusted with the Main Ledger Account.	Action should be taken according to the rules.	Action will be taken to rectify In future.
Rule 193	The actual expenditure of objects had not been reconciled with the budgeted and the supplementary expenditure and a statement showing surpluses and deficits had not been furnished.	Action should be taken according to the rules.	Action will be taken to rectify in future
Rules 217 and 218	A register in Form Specimen P.S 46 had not been maintained to include details of all land and buildings of the Sabha.	Action should be taken according to the rules	Action will be taken to rectify in future.
(b) Public Administration Circular No.30/2016 of 29 December 2016	Consumption of fuel by vehicles of the Sabha had not been tested	Action should be taken according to the circular.	Action will be taken to rectify in future.

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 2018 amounted to Rs.27,603,602 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.26,179,646.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2018				2017			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	2,259,839	5,662,880	5,957,833	3,867,108	3,357,100	5,717,385	5,542,817	4,162,061
Rent	20,013,272	22,551,481	23,094,744	9,163,348	27,965,850	21,354,382	21,354,382	9,706,611
Licence Fees	3,949,486	860,113	860,113	--	3,059,900	529,864	529,864	--
Other Revenue	21,188,620	65,059,111	52,844,873	66,140,638	17,267,000	17,937,843	17,937,843	53,926,400
Total	47,411,217	94,133,585	82,757,563	79,171,094	51,649,850	45,539,474	45,364,906	67,795,072

2.2.2 Performance in Collection of Revenue

Audit Observation	Recommendation	Comments of the Accounting Officer
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<p>The estimated revenue for the year under review amounted to Rs.47,411,217. The arrears at the commencement of the year under review amounting to Rs.67,795,072 and the billings of Rs.94,133,585 had resulted in receivables amounting to Rs.161,928,657. The total recoveries during the year under review amounted to Rs.82,757,563 and as such the arrears recoverable as at 31 December of the year under review amounted to Rs.79,171,094. The percentage of recovery was 51.</p>	<p>Recovery of arrears of revenue should be intensified.</p>	<p>Action will be taken to increase progress in recovery of arrears in future.</p>

2.2.3 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
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<p>(a) Rates</p> <p>-----</p> <p>The balance of arrears of rates and taxes at commencement of the year under review amounting to Rs.4,103,954 added to the billings of (including fines) Rs.2,019,116 of the year resulted in receivables amounting to Rs.6,123,070. The balance of arrears as at end of the year under review amounted to Rs.3,893,103 due to the total recoveries of Rs.2,229,967. The total recoveries of the year under review was at a low level of 36 per cent of the billings and the arrears at commencement of the year.</p>	<p>Recovery of arrears of revenue should be intensified.</p>	<p>Action had been taken to collect arrears of rates and taxes by issuing distraining orders.</p>

(b) Acreage Tax

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
The arrears of balance of acreage tax at the commencement amounted to Rs.66,428 and the billings of the year amounted to Rs.6,754 (including fees and fines).The total recoveries during theyear amounted to Rs.16,495. As such, the arrears at end of the year under review amounted to Rs.56,687. The total recoveries of the year was at a low level of 23 per cent of the billings and the arrears of balances.	Recovery of arrears of revenue should be intensified	The verification committee appointed by the Sabha regarding acreage tax had commenced identification of relevant properties.

2.2.4 Liease Rent

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
The balance of arrears at the commencement amounting to Rs.9,706,111 added to the billings of the year amounting to Rs.4,431,360 had resulted in receivables amounting to Rs.14,137,971. As a result of the total recoveries of Rs.4,974,623 of the year under review, the arrears as at end of the year amounted to Rs.9,163,348. The total recoveries of the year under review was at a low level of 35 per cent of the billings and the arrears of balances.	Recovery of arrears of revenue should be intensified.	Action had been taken to recover arrears of rent by sending final notices for the year.

2.2.5 Court Fines and Stamp fees

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Court fines of Rs.2,522,847 and stamp fees of Rs.61,988,240 were due from the Chief Secretary of the Provincial Council and other authorities.	Recovery of arrears of revenue should be intensified.	Written requests had been made to the Chief Secretary on various occasions to forward the money. Action

will be taken in future to obtain this money by making requests.

3. Operating Review

3.1 Evaluation of Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

(a) Solid Waste Material Management

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
<p>A land of 04 acres had been purchased on 11 December 2014 by spending Rs.2,700,000 from the funds of the Sabha for disposal of daily collection of garbage. This could not be implemented due to the protests made by the public. As a result of irregular disposal of garbage in a land close to MataraTangalle main road, the university, school and the public in the vicinity of the area faces environmental problems.</p>	<p>Disposal of garbage should be properly done.</p>	<p>Action had been initiated for disposal of degradable garbage at the Wellamadama garbage disposal centre from 21 May 2019 and to collect the non degradable garbage separately so as to classify them for disposal.</p>

(b) Sustainable Development Target

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
<p>The Sabha had not prepared a long term plan to uplift the living standards and health of the public of the authoritative area of the Sabha by the global indicators referred to in the 2030 Agenda of the Sustainable Development relating to sustainable development objectives and targets.</p>	<p>Programme should be planned and implemented to achieve sustainable development objectives and targets.</p>	<p>In future, long term plan of the institution will be prepared on the basis of sustainable development indicators, specifically identified by the institution.</p>

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) A survey of notice boards exhibited had not been carried out as per provisions in the Gazette Notification No.2052 of 29 December 2017. A field inspection carried out on 01 March 2019 revealed that fees amounting to Rs.308,137 had not been recovered for 71 notice boards exhibited within the authoritative area of the Sabha.	Action will be taken according to the Gazette Notification.	Directed to carry out a survey of notice boards and action will be taken to prepare a register for the year 2019.
(b) Confirmations had not been obtained regarding telephones, radios, televisions and telecommunication towers as required by the Gazette Notification No.2052 of 29 December 2017. The revenue inspector had reported on 26 February 2019 that 06 telecommunication towers belonging to various telephone companies were in operation. However, fees for the year under review amounting to Rs.18,000 had not been recovered from them.	Action should be taken according to the Gazette Notification.	Action had been taken in terms of the letter No. PL/7/8/36 of 27 July 2006 of the Ministry of Provincial Councils and Local Government.

3.3 Human Resources Management

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Vacancies and Excesses in the Cadre		

(i) Action had not been taken even by end of the year under review to fill 08 vacancies in the approved cadre and to regularize 19 excesses.	Vacancies should be filled and excesses should be regularized in the cadre.	Action will be taken to fill vacancies and regularize excesses.
(ii) Although interviews had been held on 08 October 2018 to fill vacancies in the post of sanitary labourer and field work labourer for which approval had been granted by the letter of the	Action should be taken according to the letter.	Recruitments will be made In future with regard to those vacancies.

Secretary to the Provincial Governor of Southern Province bearing No.G/SP/1/1/3-17 of 08 August 2018, action had not been taken to fill those 2 vacancies even by 28 February 2019.

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| <p>(b) Three field labourers and a sanitary labourer had been assigned duties relating to the office without assigning specific duties. As a result, public welfare, sanitary activities and road maintenance activities had been affected. A sum of Rs,1,527,618 had been paid as salaries and wages from the funds of the Sabha during the year under review itself.</p> | <p>Should be assigned with relevant duties.</p> | <p>Recruitments for posts had been made considering the necessity of the service according to the powers vested with the Chairman of the Pradeshiya Sabha. They had been officially assigned with duties by letters.</p> |
| <p>(c) Eight sanitary and road labourers had been recruited on substitute basis during the year under review while there were 3 permanent sanitary and road labourers and a substitute field work labourer in the office. Even the sanitary labourer recruited had been assigned with office duties.</p> | <p>Should be assigned with relevant duties.</p> | <p>Recruitments had been made as there was necessity for essential work in the office and elsewhere for which approval had been obtained.</p> |
| <p>(d) Employees' Loans

The balances of employees' loans recoverable from defaulters of instalments since 2011, as per register of employees' loans amounted to Rs.10,717.</p> | <p>Recovery of loans should be intensified.</p> | <p>Action will be taken to recover arrears in future.</p> |

3.4 **Operating Inefficiencies**

Audit Observation	Recommendation	Comments of the Accounting Officer
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<p>(a) The Sabha was entitled for 3 roods and 31.526 perches of land from the sub divided land of 9 acres, 1 rood and 35.26 perches (except the road) of land</p>	<p>Action should be taken according to the Gazette Notification.</p>	<p>Action had been taken to refer my letter No. 042/ප්‍රාස/සං.අ/ල.අ/2019 of 21 May 2019 to the</p>

in terms of the Gazette Notification No.392/7 of 16 March 1986 issued by the Urban Development Authority. Instead, the Sabha had received only 68.29 perches of land only.

company concerned requesting to vest the remaining land to the Sabha after allowing 10 per cent for common amenities.

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| (b) | The Sabha had been vested with 15.33 perches of land of block No.34 by a vesting order dated 21 June 2004 which relates to the land sub divided named Medegodahenawaththa at Devinuwara Kapugama. Meanwhile, the Chairman had sold this land to an outsider by Sales Bond No.10980 dated 13 February 2006. | Immediate steps should be taken to vest the land with the Sabha. | A file had been originated and handed over to the legal officer for taking legal action so that the Devunuwara Pradeshiya Sabha could acquire ownership of the land. |
| (c) | The Sabha had been deprived of a revenue of Rs.4,016,300 as a result of not adopting proper procedures while allowing space for temporary stalls and space for ground sellers. | Should be given on lease by calling for tenders. | Sales could not be conducted in certain places due to the landscape and certain traders had kept their sales materials in stalls closer to their business places which they had obtained without forwarding tenders. |

3.5 Assets Management

3.5.1 Safety of Assets not Ensured

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Action had not been taken to fence all properties of local authorities so as to avoid encroachments and to re-survey boundaries of lands where problems exists as required by the letter of instruction of the Southern Commissioner of Local Government No. 433/15 of 19 March 2007.	Action should be taken according to the letter of instruction.	Funds had been provided in the budget for 2019 to ensure safety of all properties of the Sabha and action will be taken accordingly in the ensuing year.

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| (b) The Sabha had received 68.29 perches of land named Miriswaththa for common amenities. Two encroachers had built 2 houses in this land. The Sabha had not taken action regarding the misuse and unauthorized structure in its land. | Encroachers should be evacuated. | Action will be taken to levy land tax by informing the relevant encroachers with the approval of the Sabha. |
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3.5.2 Non-recovery of Revenue from Assets

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) A portion of Apareka sub office of the Sabha had been offered to the Multi Purpose Cp-operative Society on a monthly lease rent of Rs.3,000 from 15 January 2011 by the Resolution No.03:01 of the Sabha meeting held on 06 January 2011. But no rent, whatsoever, had been recovered even by end of the year under review. A field inspection carried out on 25 February 2019 revealed that a rural bank operates in a portion of this office.	Action should be taken to recover arrears of revenue.	Action had been taken to prepare a plan with the assistance of the technical officer and to enter into an agreement. This had been referred to the Chief Valuer so as to obtain an assessment report.
(b) The sum of Rs.147,000 due as hire charges of the J.C.B machine for the year 2014 had not been recovered even by end of the year under review.	Action should be taken to recover arrears of revenue.	Action will be taken in this regard according to the Hon. Governor's instructions of 30 April 2019.

3.5.3 Idle and Under utilized Assets

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Land and Buildings Seven blocks of land of the Sabha of 04 acres, 02 roods and 05 perches and a land which had not been surveyed remained idle without being used for productive purposes.	Should be utilized for productive purposes.	Action will be taken to identify 04 acres and 85 perches of land of the Sabha and to utilize it productively.

(b) **Motor Vehicles and Carts**

A tractor of the Sabha valued at Rs.662,000 and 02 land tractors, the value of which had not been mentioned, remained idle for over 01 year. Action had not been taken in terms of the State Accounts Circular No.02/2015 of 10 June2015 in this connection.

Action should be taken according to the circular.

Action will be taken according to the circular in future.

3.6 Transactions of Contentious Nature

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) A three wheeler received at the Sabha On 11 March 2008 and assessed at a minimum value of Rs.300,000 by the Provincial Mechanical Engineer had been sold by auction for Rs.20,400 during the previous year. According to the board of survey for 2016, the vehicle had not been recommended for repair/disposal.	Should be investigated and necessary action taken.	The three wheeler was inoperative. As such, a report had not been obtained from the Mechanical Engineer whether to repair it or to dispose of it.
(b) Properties of the Sabha should be given on lease by calling for tenders in terms of 1988 Pradeshiya Sabha (Finance and Administration) Rule 177. However, stalls and 919 places for ground sellers for the Devinuwara Esala Salpila of the year under review had been given on lease without calling for tenders.	Should act according to the rules.	Action was taken to offer stalls on lease according to the tender procedure. But, due to the requests of the public of the area, the Chief Minister had indicated to offer them deviating from the tender procedure. that is, according to the method adopted so far. As such, it was decided not to call for tenders.

3.7 Contract Administration

Audit Observation	Recommendation	Comments of the Accounting Officer
While concreting 04 roads during renovation under various funds during the year under review, a sum of Rs.46,656 had been overpaid as the concreting was not in accordance with the required standard.	Immediate action should be taken to recover the amount overpaid.	Overpayments in respect of the 4 roads will be deducted from the respective retentions.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Savings in 06 objects aggregated Rs.24,759,353, ranging from 22 to 148 per cent.	Feasible annual estimates should be prepared.	Action will be taken to effectively manage the budgeted and actual revenue and expenditure of the year under review so as to utilize it properly.
(b) Targets not achieved in 03 items of revenue aggregated Rs.14,276,148 ranging from 02 to 359 per cent.	Feasible annual estimates should be prepared.	Action will be taken to effectively manage the budgeted and actual revenue and expenditure of the year under review so as to utilize it properly.