

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 for audit on 30 April 2013 and the financial statements for the preceding year had been presented on 02 July 2012. The report of the Auditor General for the year under review was forwarded to the Chairman of the Sabha on 30 December 2013.

1.2 Opinion

In view of the comments and observations appearing on my report, I do not express an opinion on the financial statements of the Devinuwara Pradeshiya Sabha for the year ended 31 December 2012 presented to audit.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) Provision under creditors had not been made for salary amounting to Rs.412,038 payable to a sanitary labourer.
- (b) The lease rent amounting to Rs.878,400 billed for the year under review by the Gandara Sub-office had not been brought to account as revenue.
- (c) The cash in hand at the end of the year under review amounting to Rs.399,106 had not been shown in the financial statements.
- (d) No steps whatsoever had been taken on the balances amounting to Rs.802,817 remaining over a long period in 04 dormant Bank Accounts of the Sabha.

(e) The credit balance of Rs.821,986 in the Transfer Account brought forward over several years had not been adjusted even during the year under review.

1.3.2 Unreconciled Control Accounts

The balance of 08 items of account according to the respective Control Account totaled Rs.16,913,868 whereas according to the subsidiary registers and information furnished, those balances totaled Rs.16,358,800. As such a difference of Rs.555,068 was observed.

1.3.3 Accounts Receivable and Payable

The value of the balance of the accounts receivable older than one year as at 31 December 2012 amounted to Rs.145,187 and the value of accounts payable older than one year amounted to Rs.17,536,710.

1.3.4 Lack of Evidence for Audit

Eleven items included in the accounts amounting to Rs.75,421,844 could not be satisfactorily vouched in audit due to the unavailability of evidence.

2. Financial and Operating 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 2012 amounted to Rs.11,702,562 as compared with the excess of revenue over recurrent expenditure amounting to Rs.7,500,599 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

The information on the estimated revenue, the actual revenue and the arrears of revenue in respect of the year under review presented by the Chairman to given below.

Category of Revenue		Estimated	Actual	Cumulative Arrears as at 31 December
		Rs.'000	Rs.'000	Rs.'00
(i)	Rates and Taxes	2,366	1,865	2,625
(ii)	Lease Rent	18,255	12,231	4,774
(iii)	Licence Fees	408	233	28
(iv)	Other Revenue	25,133	30,926	18,212

2.2.2 **Stamp Fees**

Stamp fees amounting to Rs.11,322,794 remained receivable as at 31 December 2012 from the Chief Secretary of the Provincial Council and other authorities.

2.2.3 **Trade Stall Rents**

A sum of RS.3.981,474 remained receivable as at 31 December 2012 from 111 trade stalls of the New Trading Complex, the Old Trading Complex and the Gandara Market belonging to the Sabha. Action had not been even by 24 September 2013, the date of audit for the recovery of the money.

2.3 **Irregular Transactions**

The following observations are made.

- (a) According to the provisions in the Notification published in the Gazette Extraordinary No.1807/2 of the Republic of Sri Lanka dated 22 April 2013 travelling allowance can be obtained only for the activities assigned as a representation of the general public/activities assigned by the Sabha. Nevertheless, travelling allowance amounting to Rs.390,00 had been paid to 9 members including the Chairman in the year 2012 without assigning any such activities.
- (b) In the payment of the members, allowances in accordance with the provision in the Notification of the Southern Provincial Chief Minister and the Minister in charge of the subject of Local Government published in the Gazette Extraordinary No.1413/15 date 05 October 2005, a sum of Rs.56,500 had been paid from the Sabha Fund 05

members including the Vice Chairman who had not attended the meetings of the Sabha and Committee meetings contrary to the provisions Rule 3(I)(I) or had not obtained leave for medical reasons under Rule 3.1(iii) or not obtained formal approval under Rule 3(2).

2.4 Operating Inefficiencies

The following observations are made.

- 2.4.1 Nine members of the Pradeshiya Sabha including the Chairman had not submitted the Declarations of Assets and Liabilities for the year 2012 in terms of the Declaration of Assets and Liabilities Law. No.1 of 1975 as amended by the Amendment Act, No.74 of 1988.
- 2.4.2 According to paragraph 11.5 of the Public Administration Circular No.08/2005 of 31 March 2005, the difference between the Bank interest rate for property loans and the 4 per cent recovered from the officer should be reimbursed by the Government. As such the interest paid from the Sabha Fund had not been recovered and the reimbursement of the interest for the year under review amounting to Rs.1,065,714 had not been obtained.
- 2.4.3 Even though a Corporate Plan for at least 03 years from the year 2010 and onwards should have been prepared in terms of letter No.PF/R/2/2/3/5(4) of 10 March 2010 the Director General of Public Finance that Plan had not been prepared and an Action Plan for the year as well had not been prepared.

2.5 Maintenance and Control of Street Lamps

The following observations are made.

- (a) The estimated expenditure on the maintenance of the street lamps of the Sabha according to the budget for the year 2012 amounted to Rs.805,000 and the actual expenditure amounted to Rs.885,188. Even though the approved street lamps maintained in the area of the authority of the Sabha had been 157 though the number maintained had exceeded 2,000 street lamps.
- (b) Even though a sum of Rs.885,188 comprising Rs.265,395 for the purchase of street lamp equipment, Rs.555,049 for salary of street lamps maintenance person

and a sum of Rs.64,745 for the motor vehicle used for maintenance of street lamps had been spent on the maintenance of street lamps in the area of authority of the Sabha for the year 2012, the reimbursement made for the year by the Ceylon Electricity Board amounted to Rs.74,052.

- (c) According to the Circular No.PE/01/01 dated 17 August 2012 of the Secretary to the Ministry of Power and Energy, it was informed that 3 per cent of the general purpose consumption in the area of authority of the Sabha should not be exceeded. The Sabha had not entered into an agreement with the Ceylon Electricity Board for the computation of that limit and installation of street lamps.
- (d) Numbering of the street lamp posts in the area of authority of the Sabha or other methodology for identification had not been introduced even up to 30 November 2013 and as such the number of street lamps installed could not be ascertained.

2.6 Human Resources Management

- (a) According to the information made available to audit, the approved Cadre of the Sabha as at 31 December 2012 had been 68 and the actual cadre had been 69. According to the Revenue and Expenditure Account, the expenditure on staff salaries and the Member' Allowance amounted to Rs.18,702,855. But the Commissioner of Local Government had reimbursed only Rs.12,965,500. As such the difference amounting to Rs.5,737,355 had become an additional financial burden to the Sabha Fund.
- (b) According to the Management Service Circulars No.14 of 03 January 2002 and No.28 of 10 April 2006 the recruitment of casual, substitute and contract employees by Local Authorities had been suspended. Nevertheless, 27 employees had been recruited contrary to such provisions and a sum of Rs.2,513,885 had been paid in the year under review from the Sabha Fund as salaries. It had been emphasized that if action surpassing the circular instructions is taken, the head of the institution is personally responsible for such action.

2.7 Internal Audit

An adequate internal audit had not been carried out. The Audit and Management Committee had not been established in the under review.

3. Systems and Controls

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

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