

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 07 May 2014 and the financial statements for the preceding year had been presented on 30 April 2013. The report of the Auditor General for the year under review was forwarded to the Chairman of the Sabha on 19 December 2014.

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 Dewinuwara Pradeshiya Sabha as at 31 December 2013 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Non -compliance with Sri Lanka Public Sector Accounting Standards

- (a) According to the Circular No.PED/54 of 19 January 2010 of the Director General of the Public Enterprises , the Local Authorities should prepared the financial statements in accordance with the Sri Lanka Public Sector Accounting Standards from 01 January 2011. Nevertheless, those Standards had not been followed.
- (b) The cash flow statement had not been furnished along with the financial statement of the year under review.

1.3.2 Accounting Deficiencies

The following deficiencies are observed.

- (a) The expenditure amounting to Rs.156,313 incurred for the addition of a new part to the office building of the Sabha had not been capitalized.
- (b) Five units of fixed assets valued at Rs.259,830 purchased in the year under review had not been accounted under the fixed assets in the financial statements.
- (c) The block of land of 22.34 perches valued at Rs.9,000,000 where the Devinuwara Bank of Ceylon building belonging to the Sabha is situated had not been accounted under lands and buildings.

- (d) The value of 03 lands of 33 perches belonging to the Sabha as at the end of the year under review had not been assessed and brought to account.
- (e) Even though the value of employee surety investment and the value of Employee Deposit Account of the Sabha should be equal, the value of the employees surety investment amounted to Rs.14,000 and the value of repayable employee deposits amounted to Rs.20,700 at the end of the year under review thus a sum of Rs.6,700 had been understated in the account.
- (f) According to the Journal Entry 49, while analyzing the repayment of revenue, the relevant accounts of other aids by Rs.2000, rental income by Rs.20,500 and service charges by Rs.54,140 had been debited according to Journal entries. However, such adjustment had not been made according to the ledger accounts.
- (g) According to the financial statements, the amount payable for tarring the road from Agarawala to Uda Aparekka Hettiarchchi Road amounted to Rs.319,708 and According to the Register of Works Debtors, it amounted to rs.511,937. As such, a sum of Rs.192,229 had been understated.
- (h) The sum of Rs.197,070 receivable from the renting of the backhoe by the Sabha had not been shown in financial statements at the end of the year under review under the rental income receivable.

1.3.3 Unreconciled Control Accounts

The balance of 06 items of accounts according to the financial statements amounted to Rs.56,500,725 whereas according to the supporting documents and information furnished, those balances Rs.56,492,512. As such a difference of Rs.8,213 was observed.

1.3.4 Accounts Receivable and Payable

The following matters were observed.

- (a) The value of the balances of accounts receivable for over one year as at 31 December 2013 amounted to Rs.635,082.
- (b) The value of the balances of accounts payable for over one year as at 31 December 2013 amounted to Rs.45,529,839.
- (c) According to the financial statements, the sum of Rs.821,995 shown in the Money Transfer Account is being brought forward continuously from the year 2008 and it had not been settled even in the year under review.

1.3.5 Lack of evidence for Audit

Evidence of 12 items of accounts valued at Rs.100,620,483 had not been made available to audit.

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 2013 amounted to Rs.18,261,579 as compared with the corresponding excess of revenue over recurrent expenditure amounting to Rs.11,702,562 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue, actual revenue and the arrears of revenue relating to the year under review as presented by the Chairman is given below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.000	Rs.000	Rs.000
Rates and Taxes	1,820	1,848	2,748
Lease Rent	16,698	16,520	7,473
Other Revenue	35,140	36,015	42,406

2.2.2 Court Fines and Stamp Fees

Court fines amounting to Rs.412,921 and stamp fees amounting to Rs.18,749,330 had been receivable at the end of the year under review from the Chief Secretary and the other Authorities of the Provincial Council..

3. Operating Review

3.1 Management Inefficiencies

- (a) 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. Nevertheless, the sum of Rs.949,047 paid from the Sabha Fund for the year under review had not been get reimbursed even by 31 December 2013.
- (b) Even though the lands and buildings belonging to the Sabha should be annually surveyed, it had not been so done for the year under review.
- (c) Out of the sum of Rs.25,000 received for the supply of equipment for the Rural Development Society at Beddegammedda under the provisions of the Southern Provincial Council Members of the year 2013 , the said equipment had not been supplied even by 17 October 2014.

3.2 Human Resources Management

The information relating to the cadre of the Sabha as at 31 December 2013 are shown below.

Category of Employees	Approved	Actual	Vacant	Excess
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Executive	01	02		01
Secondary	26	25	01	
Primary	41	31	10	
(Casual,Temporary,Contract basis)	-	28		28
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	68	86	11	29
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- (i) A sum of Rs.14,274,900 had been reimbursed by the Commissioner of Local Government in the year under review as the salaries of staff and Members' allowances .As the expenditure on salaries and Members' Allowances for the year amounted to Rs.14,834,308 ,an additional financial burden of Rs.559,408 had been caused to the Sabha Fund.
- (ii) According to the Management Services Circular No.14 of 03 January 2002 of the Secretary to the Treasury and the Management Services Circular No.28 of 10 April 2006 of the Secretary to the Ministry of Finance and Planning , the recruitment of employees

on casual, substitute, contract and any other basis by Local Authorities should be suspended. Nevertheless, 28 employees had been recruited in the year 2013 and a sum of Rs.4,154,369 had been paid as salaries .

3.3 Irregular Transactions

The following matters are observed.

- (a) A sum of Rs.10,000 had been paid for the Secretary in the year 2013 for the preparation of monthly reports of the Sabha contrary to the provisions of paragraph 3.3 of the Circular No.95/15 of the Commissioner of Local Government dated 14 November 1995.
- (b) In terms of Section 132 a of the Pradeshiya Sabha Act , if expenses exceeding one thousand rupees are incurred by the Sabha Fund in respect of civic receptions or the celebration or observance of any events or occasions of public interest, the prior sanction in writing of the relevant Minister should be obtained. However, a sum of Rs.45,677 of celebration expenditure had been incurred in the year 2013 by the Pradeshiya Sabha without prior approval.

4. Accountability and Good Governance

4.1 Budgetary Control

Significant variances were observed between the estimated income and expenditure according to the Budget for the year under review and the actual income and expenditure. Therefore, it was observed that the budget had not been made use of as an effective instrument of control.

4.2 Audit and Management Committees

Audit and Management Committees of the Sabha had not been held.

5. Systems and Controls

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

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