

**Welivitiya Divithura Pradeshiya Sabha**

**Galle District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

Financial Statements for the year under review and the preceding year had been presented to audit on 30 March 2016 and 31 March 2015 respectively. The report of the Auditor General for the year under review had been sent to the Secretary of the Sabha on 31 August 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 Welivitiya Divithura Pradeshiya Sabha as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Policies**

Accounting policies followed in accounting had not been disclosed in the financial Statements.

**1.3.2 Accounting Deficiencies**

The following accounting deficiencies were observed.

- (a) Capital grants of Rs.4,954 receivable had been over accounted.
- (b) Security deposit of Rs.3,600 recovered from 2 employees had been shown in the accounts as employees security investments.

**1.3.3 Accounts Receivable and Payable**

Action had not been taken to settle stamp fees of Rs.526,365 brought forward prior to the year 2013, balances of accounts receivable and balances of accounts payable amounting to Rs.6,657,825 and Rs.10,516,018 respectively by the end of the year under review.

**1.3.4 Lack of Evidence for Audit**

Any information or file whatsoever in respect of 3 works valued at Rs.84,643 carried out before 15 April 2006 and any file in respect of a sum of Rs.85,248 shown as receivable from the Karandeniya Pradeshiya Sabha was not made available for audit.

**1.3.5 Non – Compliance with Laws, Rules, Regulations and Management Decisions**

Action in terms of Financial Regulation 570 and 571 of the Republic of Sri Lanka in respect of 97 deposits totaling Rs.528,301 Shown in the deposit account had not been taken.

## 2. Financial Review

### 2.1 Financial Results

According to the financial Statements presented to audit, the revenue over recurrent expenditure of the Sabha for the year ended 31 December 2015 amounted to Rs.2,487,077 as compared with the revenue over recurrent expenditure amounting to Rs.361,468 for the preceding year. Accordingly an improvement of Rs.2,125,609 in the financial results had indicated in the year under review as compared with the preceding year.

### 2.2 Analytical Financial Review

A summary of the revenue grants self-operation revenue and the recurrent expenditure of the year under review and the 2 preceding years of the Sabha is given below.

Year	Total recurrent revenue	Revenue grants	Self-operating revenue	Total recurrent expenditure	Recurrent expenditure over self-operating revenue
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	Rs.	Rs.	Rs.	Rs.	Rs.
2015	24,432,250	17,469,972	6,962,278	21,945,173	14,982,895
2014	20,892,000	13,634,535	7,257,465	20,530,531	13,273,066
2013	14,401,899	8,931,318	5,470,581	13,250,948	7,780,367

The following observations are made in this regard.

- (i) Increase of recurrent expenditure over self-operation revenue in the year under review and the 2 preceding years as well had existed.
- (ii) Even though it was mentioned that without the receipt of revenue grants to the Sabha recurrent expenditure could not be covered from the revenue of the Sabha in any way. Nevertheless, attention of the Sabha to minimize the expenditure was not drawn.

### 2.3 Revenue Administration

#### 2.3.1 Performance of the Revenue Collection

Out of the total recurrent revenue estimated at Rs.26,829,400 for the year under review, a sum of Rs.20,892,000 had been collected. Accordingly the progress of Collection of revenue had been about 78 per cent.

#### 2.3.2 Rates and Taxes

Out of the rates and other taxes totaling Rs.471,220 recoverable relating to the year under review and the previous years, 66 per cent had been recovered. Attention of the Sabha for the recovery of arrears of revenue was not paid in terms of section 158(1) of the Pradeshiya Sabha Act No. 15 of 1987.

### 2.3.3 **Service Charges**

Although a sum of Rs.10,678,121 had to be recovered in respect of the year under review and the preceding years, only a sum of Rs.4,261,603 or 40 per cent had been recovered. As a result, the outstanding amount had risen to Rs.6,416,518 by the end of the year. Action had not been taken to recover the outstanding revenue in terms of section 152(4) of the Pradeshiya Sabha Act No. 15 of 1987.

### 2.3.4 **Court Fines and Stamp Fees**

Sums of Rs.57,250 and Rs.6,416,518 were receivable in respect of court fines and stamp fees in respectively as at 31 December 2015 from the Chief Secretary of the Provincial Council and other authorities.

### 2.3.5 **Acreage Tax**

The outstanding acreage tax balance as at the end of the year under review amounted to Rs.159,426. A formal methodology had not been implemented to identify correctly and recover the acreage tax revenue by conducting a survey within the area of authority of the Sabha Action had not been taken to recover the outstanding balances in terms of section 158(1) (a) of the Provincial Councils Act No. 15 of 1987.

## 3. **Operating Review**

### 3.1 **Management Inefficiencies**

There were 7 vacancies in the approved posts of the cadre plan and the excess cadre was 03. Action had not been taken to fill vacancies and to regularize the excess cadre.

### 3.2 **Operating Inefficiencies**

Without acquiring the ownership of 10 lands belonged to the external parties, buildings had been constructed by incurring an expenditure of Rs.1,425,000 therein.

### 3.3 **Contract Administration**

Action had not been taken to settle a sum of Rs.5,404,815 payable for 7 projects constructed in the preceding year and a sum of Rs.4,694,873 payable for 09 projects completed in the year under review.

### 3.4 **Delays in Projects**

The following matters were observed.

- (a) Although a sum of Rs.5,000 had been approved to build a toilet for the the Daham School and a pre- school in the Purana Gangarama Temple at Waduwelivitiya on councilors provision for the year 2013, it had not been done even by the end of the year under review and that money deposited in the had been General Deposit Account.
- (b) Works of 2 Projects totaling Rs.1,350,000 approved in the year under review had not been completed even by 31 December of the year under review.

#### 4. **Good Governance and Accountability**

##### 4.1 **Budgetary Control**

- (a) The savings of entire provision of Rs.64,000 included in the budget for the year under review under 2 objects of expenditure of Rs.44,281 incurred in excess of the limits in another expenditure object targeted revenue of Rs.3,638,761 in 5 revenue items which had not been reached had existed. As such the Budget had not been made use of as an effective instrument of Management control.
- (b) A back ward position had indicated in the actual utilization of provisions made for each objective by the Annual Budget of the Sabha. As such it was observed in audit that it was likely to cause harm to the Sabha as well as to the public within the authority limit.

##### 4.2 **Internal Audit**

An internal audit had not been carried out in terms of provisions stated in Financial Regulations 133 and 134 of the Republic of Sri Lanka and the circular No දපප/යන/01/ න.ව.ලේ. dated 24 February 2014 of the Commissioner of Local Government (Southern Province)

##### 4.3 **Audit and Management Committee**

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

##### 4.4 **Assets Management**

The following matters were observed.

###### (a) **Idle and Under Utilized Assets**

Action in terms of circular No. 02/2015 dated 10 July 2015 of the Secretary to the Ministry of Finance had not been taken in respect of Land Cruiser Vehicle costing Rs.650,000 and the photo copy machine costing Rs.10,000.

###### (b) **Unacquired Assets**

- (i) The Divisional Secretary had built a child and maternity clinic building by incurring an expenditure of Rs.980,000 in the land received by the Pradeshiya Sabha as a donation. The approval of the Pradeshiya Sabha for the relevant building plan had not been obtained and action had not been taken to acquire that building to the Sabha.
- (ii) Action had not been taken to transfer the ownership of 3 motor vehicles used by the Sabha even by the end of the year under review.

5. **Systems and Control**

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

- (a) Accounting
- (b) Budgetary control
- (c) Revenue Administration
- (d) Human Resources Control
- (e) Motor Vehicles Control