

**Velipitiya Divitura Pradeshya Sabha  
Galle Distret**

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**1. Financial Statemennts**

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**1.1 Presentation of Financial Statements**

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While Financial Statements for the year 2018 had been presented to audit on 25 March 2019, the summary report of the Auditor General relating to those financial statements on 31 May 2019 and detailed management report on 14 June 2019 were sent to the Chairman of the Sabha.

**1.2 Qualified Opinion**

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In my opinion, except for the effect of matters described in the part, basis for qualified opinion in my report, the financial statements give a true and fair view of the financial position of the Velipitiya Divitura 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 the qualified opinion**

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**(a) Accounting Deiciencies.**

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(i) Discount received amounting to Rs. 108,379 for the purchase of library books during the year under review had not been accounted.	Should be correctly accounted.	Amount spent only was accounted.
(ii) Retention money amounting to Rs. 111,766 relevant to 02 works had been overstated in the Capital Grants Receivable Account and Work Creditors Account	Should be correctly accounted.	Will be coorrected when executing the woks during the year 2019.
(iii) Although the deck of a tractor trailer belongs to the Sabha amounting to Rs. 185,000 had	Action ahould be taken to remove the cost.	Had been treated as a recurrent item in accounting.

been sold, action had not been taken to compute the cost of that and remove from the accounts.

**(b) Non-reconciled Accounts**

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer</b> -----
While value of land with Community Hall Building amounting to Rs. 200,000 included in the Land and Buildings had been written off from the books without proper approval, a difference of Rs. 200,000 was seen between the balance shown in the account and the schedule.	There should be a proper approval for the write-off and value shown in the registers should be corrected.	Value of the land has been removed through a verification board on a Sabha decision. There is no difference in the registers.

**(c) Accounts Receivable and Payable**

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer</b> -----
<b>(i) Accounts Receivable</b> ----- Action had not been taken even during the year under review to recover Capital Grants amounting to Rs. 745,538 brought forward in the financial statements.	Action should be taken to get settled the Balances Receivable.	Chief Secretary was informed number of times to get the Stamp Fees.
<b>(ii) Accounts Payable</b> ----- Action had not been taken to settle Work Creditors balances totalling Rs. 444,108 relevant to the years 2014 and 2016.	Balances Payable should be settled.	Financial provision has been requested from the Local Government Department for making payment and payments will be settled immediately after receipt.

(d) **Lack of Written Evidence for Audit.**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Six items of accounts totaling Rs. 106,150,752 could not be satisfactorily examined due to non-submission of required information.	Evidence required confirming balances shown in the financial statements should be submitted.	Account balances have been confirmed through a verification board.

1.4 **Non-compliances**

**Non-compliance with Laws, Rules, Regulations and Management Decisions.**

<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Value Rs.</b>	<b>Non-compliance</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) Pradeshiya Sabha (Financial and Administrative) Rules 1988. 193	-	Budgeted revenue and expenditure had not been compared with actual revenue and expenditure and a statement showing reasons for variations had not been prepared as at 31 December. .	Comparison statements together with reasons for variations should be submitted.	A comparison statement has been submitted together with the final accounts.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. F.R. 702(3)	-	Copies of agreements signed in connection with contracts had not been submitted to the Auditor General.	Financial Regulations should be complied with.	Copies of agreements will be forwarded in future.

## 2. Financial Review

### 2.1 Financial Results.

According to the financial statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2018 amounted to Rs. 3,494,186 as compared with corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 3,582,178 .

### 2.2 Revenue Administration

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

Estimated Revenue, Billed Revenue, Revenue Collected and Arrears of Revenue at 31 December for the year under review and the preceding year as furnished are shown below.

Source of Revenue	2018				2017			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total Arrears as at 31December	Estimated Revenue	Revenue Billed	Revenue Collected	Total Arrears as at 31December
	Rs.	Rs..	Rs..	Rs..	Rs..	Rs..	Rs.	Rs.
Rates and Taxes	19,000	19,026	5,803	100,713	320,000	18,835	35,940	87,491
Rent	788,000	58,200	56,700	1,750	1,175,200	43,200	43,200	250
License Fees	94,000	510,400	518,750	7,000	187,500	493,050	480,950	15,350
	901,000	587,626	581,253	109,463	1,682,700	555,085	560,090	103,091

#### 2.2.2 Performance in Revenue Collection

##### Audit Observation

While the total arrears of revenue as at 01 January of the year under review was Rs. 103,091, billings for the year amounted to Rs.587,626. Accordingly total revenue to be recovered during the year amounts to Rs. 690,717, revenue collected was Rs. 581,253 and therefore percentage of revenue collection had been 84 percent.

##### Recommendation Comments of the Accounting Officer

Arrears of Revenue should be recovered soon. Agreed.

### 2.2.3 Rates and Taxes

#### Audit Observation

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Action had not been taken to declare Rates Zones and to recover Rates in terms of Sections 134(1) and (2) of the Pradeshiya Sabha Act No. 15 of 1987.

#### Recommendation Comments of the Accounting Officer

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Action should be taken in terms of provisions in the Act and recover Rates.

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Rates will be declared in the gazette immediately after becoming a developed area.

### 2.2.4 Acreage Tax

#### Audit Observation

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Although the Acreage Tax to be recovered together with billings for the year amounts to Rs. 106,507, revenue collected had been Rs. 106,517, taking a percentage less than 5 percent in recovering Acreage Tax.

#### Recommendation

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Action should be taken to identify the parties liable to pay Acreage Tax and recover arrears of revenue soon.

#### Comments of the Accounting Officer

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Action will be taken to get settled the balances in arrears through a survey in due course.

### 2.2.5 Court Fines and Stamp Fees

#### Audit Observation

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Court Fines amounting to Rs. 55,417 and Stamp Fees amounting to Rs. 27,890,658 were due to be recovered from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2018.

#### Recommendation Comments of the Accounting Officer

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Arrears of revenue should be recovered soon.

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Chief Secretary was informed through letters.

**3. Operating Review**

**3.1 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 management**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>20 perch portion of the Divitura estate had been utilized for disposal of Solid waste material about 0.25 tons of decaying waste to be collected once a week were being dumped into pits of the land and covered.</p>	<p>A long -term plan should be prepared for disposal of solid waste material.</p>	<p>Agreed</p>

**(b) Achieving Sustainable Development objectives.**

	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>Although long -term plans had been prepared for enhancing standard and health of the people in the authanitative area through sustainable development objectives and targets of the Agenda 2030 for sustainable developmet,no proper evaluation methodology had been formulated to achieve specific targets .</p>	<p><b>long tern plans should</b> be preped echieve sustainablae developments targets based on specific targets and included in the Actoin Plan with proper evaluation method ology</p>	<p>A comprehensive plan wil be preped in future to increase the living standared of the people in tha authoritative area</p>

### 3.2 Human Resources Managemet

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#### Audit Observation

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#### Recommendation

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#### Comments of the Accounting Officer

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(a) (i) 07 avcancies existed in the secondary sector of tha employee composition of the sabha while 04 vacancies and excess in one post were available

Action should be taken to fill vacancies and formalise excess posts

written request has been made to Assistant commissioner of local Government seeking approved to fill vacancies

(ii) salaries and allowances Rs.317,649 had been paid from tha sabha fund during tha year under review to an employee recruited with out approved

contract basis appointment should be formalized.

A cantract Driver has been recruited and made payment on a sabha decision.

#### (b) Staff Loan

Action hed net been taken to recover a loan balance of Rs.144,706 from an employee eho had vacated the post .

early action should be taken to recover arrears

Action wil be taken to recover in future

### 3.3 Assets management

#### Idle and Under utilized Assets

##### Audit Observation

##### Recommendation

##### Comments of the Accounting Officer

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(a) A Generator of Rs.430,000 purchased in 2007 that had been inoperative and canoe of Rs.220,000 received to the sabha in 2007 had been remained in operative.

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Action should be taken for repair or for disposal.

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Instructions had been sought from the Development of Local Government.

(b) Electric Lift Installed in 2017 for the “Pura Neguma” building had been remaining in cooperative since 2018.

Contractor should be infermed to get the Lift repaired by looking in to warranty period.

As the repair is huge sum incuming undertaking, it will be done in Future.

### 4. Accountability and Good Governance

#### 4.1 Budegetary Control

##### Audit Observation

##### Recommendation

##### Comments of the Accounting Officer

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(a) Total prvision of Rs .10,000 allocated for one vote was available as saving.

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Realistic estimates should be prepared

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Action will be taken to achive anticipated financial Progress in future.

(b) Advers variance of 04 itemes of revenue amounted to Rs.91,296,887 value of which ranged between 26% to 78%

Realistic estimates should be prepared

Action will be taken to achive anticipated f[nancial progress.in future.

(c)Savings of 04 items of expenditure aggregated to Rs .16,306,010 value of which rauged between 25% to 98%

Realistic estimates should be prepared

Action will be taken in this regard in future.



**4.2 Internal Audit**

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**Audit Observation**

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**Recommendation**

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**Comments of the  
Accounting Officer**

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Although an internal audit officer had been appointed in terms of provisions in financial regulations 133 and 134 of the Republic of Sri Lanka and circular No. Slg/GO/01/N.C.L dated 24 February 2014 of the Commissioner of Local Government (Southern Province), adequate internal audit had not been carried out .

Financial regulations and circulars should be complied with.

Informed that an Internal Audit had been carried out.