

**Devinuwara Pradeshiya Sabha**  
**Matara District.**

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**1. Financial Statements**

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**1.1 Presentation of financial statements**

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Financial statements of 2019 had been presented for the audit on 28 February 2020 and Auditor General's summary report of such financial statements and detailed management audit report have been sent to the Chairman on 09 June 2020 and 17 June 2020 respectively.

**1.2 Qualified opinion**

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It is my opinion that financial status of Pradeshiya Sabha of Devinuwara as at 31 December 2019 and financial performance thereof for the year ended by the same day are in compliance with generally accepted accounting principles and shown true and fair status by financial statements except the impact caused by matters described in the part of basis for the qualified opinion in this report.

**1.3 Basis for the qualified opinion**

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**(a) Accounting deficiencies**

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Audit observation	Recommendation	Comments by Accounting Officer
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(i) Building rental income of Rs.205,500 which received for the previous year had been accounted as an income of the year under review.	Corrective actions should be taken.	Adjustments made in order to remove the difference in between balance of rental register and of ledger account has been accounted together by journal note No. 21 of the year under review.
(ii) Adjustments had been made into consolidated fund without identifying the difference of Rs.6,724,721 between financial statements and schedules pertaining to 09 account subjects at the end of the year under review. According to balance of consolidated fund had been over stated by Rs.2,896,755.	Corrective actions should be taken.	Actions will be taken to correct the difference in the year to come.

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| (iii) | Income of rates had been over stated by Rs.632,400 since Rates and tax income of Rs.1,267,628 according to summarized income document of the year under review was stated as Rs.1,900,028 in financial statements. | Corrective actions should be taken. | This fault occurred due to maintaining 03 columns as arrears, recurrent and future receipts. |
| (iv)  | At the end of the year under review, allocation had been made over by Rs.113,789 under industries creditor.  | Corrective actions should be taken  | Corrective actions will be taken in future.  |

**(b) Non - reconciled accounts**  
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Audit observation -----	Recommendation -----	Comments by Accounting Officer -----
Difference of total was Rs.896,123 between balance of 02 account subjects of total Rs.11,231,221 which are included in financial statements and related documents and schedules thereto.	Actions should be taken to compare differences of accounts concerned and correct accounts.	Actions will be taken to find reasons for differences and correct the same in the year to come.

**(c) Unavailability of necessary documentary evidences for the audit**  
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Audit observation -----	Recommendation -----	Comments by Accounting Officer -----
In the audit it was unable to satisfactorily observe 07 account subjects of which Total Rs.126,518,671 since needy information was not presented.	Evidences by which account balances stated in financial statements are proved should be presented.	Corrective actions will be taken in future.

## 1.4 Non - compliance

### 1.4.1 Non - compliance with rules, regulations and management decisions

Occasions of Non - compliance to rules, regulations and management decisions are as follows.

Reference to rules, regulations and management decisions	Non compliance	Recommendation	Comments made by Accounting Officer
(a) Pradeshiya Sabha Rules of 1988 (Financial & Admin.)			
(i) Rule 143	Refundable deposit ledger had not been monthly collected and total of balance not adjusted with main ledger account.	Actions should be taken as per rules.	Deposit documents were monthly balanced, compared with balance of the main ledger and properly maintained.
(ii) Rule 177	Asala festival temporary sales outlets and lots of land had been given without calling for tenders.	Actions should be taken as per rules.	Although it was planned to take actions as per tender procedure in the year 2017, this method had to be stopped on the order made by Chief Minister and recommendation of the Committee.
(b) Financial Regulation of Republic of Sri Lanka.			
(i) F.R. 571	Actions had not been taken regarding 174 due deposit balances of total Rs.938,554 expired for a period of 02 years.	Actions should be taken as per regulations.	Actions will be taken regarding previous deposits as per F.R. 571.

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| (ii) | F.R. 1646  | Daily running charts pertaining to 20 vehicles and machineries of the Sabha had not been forwarded to Auditor General. | Actions should be taken as per financial regulations. | Actions will be taken to forward running charts concerned from the year 2020. |
| (b)  | Public Admin. Circular No. 30/2016 dated 29 <sup>th</sup> December 2016. | Fuel consumption of two Cabs of the Sabha had not been tested.   | Actions should be taken as per circular.              | Future actions will be taken to inspect the fuel consumption.                 |

## 2. Financial Review

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### 2.1 Financial Results

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As per financial statements presented, Sabha income exceeding recurrent expenditure for the year ended by 31<sup>st</sup> December 2019 under review was Rs.31,245,653 and comparing with the previous year income exceeding recurrent expenditure was Rs.35,370,631.

## 2.2 Income Administration

### 2.2.1 Estimated income, billed income, collected income and arrears of income

Information of estimated income, billed income, collected income and arrears of income pertaining to year under review and previous year are as follows.

Income source	2019				2018			
	Estimated income	Billed income	Collected income	Total arrears as at 31 <sup>st</sup> December	Estimated income	Billed income	Collected income	Total arrears as at 31 <sup>st</sup> December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates & taxes	2,499,983	2,902,626	2,469,962	4,351,359	2,259,839	5,662,880	5,906,246	3,918,695
Rentals	23,588,050	20,514,087	18,487,926	11,189,509	20,013,272	22,551,481	23,094,744	9,163,348
Permit fees	4,215,350	5,205,966	5,105,266	100,700	3,949,486	860,113	860,113	--
Other income	31,292,000	37,431,875	15,839,840	87,732,673	21,188,620	65,059,111	52,844,873	66,140,638
<b>Total</b>	<b>61,595,383</b>	<b>66,054,554</b>	<b>41,902,994</b>	<b>103,374,241</b>	<b>47,411,217</b>	<b>94,133,585</b>	<b>82,705,976</b>	<b>79,222,681</b>

### 2.2.2 Rates & Taxes

----- Audit observation -----	----- Recommendation -----	----- Comments by Accounting Officer -----
<b>(a) Rates</b> -----		
(i) Balance of Arrears of rates as at the beginning of the year under review was Rs.3,936,164 and Rs.5,932,156 was to be recovered with Rs.1,995,992 being billings (along with charges) of the year. At the end of the year there was a minus balance of Rs.1,580,797 since total recoveries within the year was Rs.4,351,359.	Arrears of income should be received soon.	Actions will be taken in future to recover arrears.
(ii) A computerized software had been used to recover assessments and sum of Rs.5,409,430 was to be recovered at the end of the year under review. Although there was arrears of Rs.4,027,094 as at 31 <sup>st</sup> December 2019 when total recoveries of the year Rs.1,315,756 and discount given Rs.66,586 were deducted, there had been a difference of Rs.251,600 since arrears shown by computer printouts obtained was Rs.3,755,404.	It should be identify difference and make adjustments soon.	Actions are being taken to correct.
<b>(b) Acreage tax</b> -----		
(i) Initial balance was Rs.58,686 while sum of Rs.65,327 was to be recovered with billings of the year Rs.6,641. Since total recoveries within the year was Rs.2,130 arrears was Rs.63,197 at the end of the year under review.	Arrears of income should be recovered soon.	Actions will be taken to recover arrears of income.

### 2.2.3 Rentals

----- Audit observation -----	----- Recommendation -----	----- Comments by Accounting Officer -----
(i) Initial balance arrears was Rs.9,100,843 while sum of Rs.13,823,807 was to be recovered along with billings of the year Rs.4,722,964. Since total recoveries within	Arrears of income should be received soon.	Actions will be taken in future to refer arrears to Arbitration board

the year was Rs.3,528,957 arrears was Rs.10,294,850 at the end of the year under review.

and recover arrears of income.

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| (ii) | Pradeshiya Sabha of Devinuwara had rented out 105 boutique rooms on monthly rental basis and sum of Rs.2,010,251 was arrears at the end of the year under review and Rs.736,168 was arrears from 08 boutique rooms from which rentals over Rs.59,000 was to be recovered. | Arrears of income should be received soon. | Future actions will be taken to recover. |
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**2.2.4 Other income**

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**Court fines and stamp fees**  
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Audit observation	Recommendation	Comments by Accounting Officer
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At the end of the year under review sum of Rs.1,299,254 being court fines and Rs.85,565,090 being stamp fee were to be received from Chief Secretary and other authorities of Provincial Council .	Arrears of income should be received soon.	Requests have been made from time to time to recover arrears of income.

**3. Operating Review**

**3.1 Performance**

As per section 3 of Pradeshiya Sabha Act, the Sabha was expected to perform duties such as regularizing and control of public health, public utilities services and matters pertaining to public roads, well being of people, convenience and welfare. Matters revealed pertaining to performance of such functions are as follows.

**(a) Solid waste management**

Audit observation	Recommendation	Comments by Accounting Officer
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About 90 tons of degradable and non degradable garbage monthly generated within	Garbage should be disposed	At the moment garbage are categorized as

the Sabha area had been disposed into a marshy land properly. land belonged to Matara Pradeshiya Sabha.

degradable and non degradable and only degradable garbage are disposed.

**(b) Non receipt of expected results.**

Audit observation	Recommendation	Comments by Accounting Officer
<p>Under Ruhunu Udanaya Development program of 2014 construction of Building for Gandara Health Center had been assigned to Farmers Association and sum of Rs.1,271,174 had been paid by preparing report of works done so as to completed on 26<sup>th</sup> November 2015. But even by 28<sup>th</sup> February 2020 not completed and used.</p>	<p>Construction should be finalized soon and be used for a useful purpose.</p>	<p>Actions will be taken to carry out this project upon receipt of allocation since financial allocation received to Sabha was not sufficient to implement this project.</p>

**3.2 Management inefficiencies**

Audit observation	Recommendation	Comments by Accounting Officer
<p>(a) Temporary boutiques and lots of lands of Asala festival of Devinuwara had not been divided based on a specific plan in giving them out on rental basis and new purchasers lost opportunity to take them since situation 5 years ago was considered. As a result of that an income of Rs.2,332,150 had not been received to Sabha from 112 boutique rooms.</p>	<p>They should be rented out by calling for tenders on a specific plan.</p>	<p>It is difficult to separate temporary boutiques and lots of lands based on one specific plan and it changes on various reasons. In addition there was a risk of selling boutique rooms of the festive land on the situation prevailed in the country.</p>
<p>(b) No attention had been paid towards the damage caused to environment by 28 firms who have not obtained environment protection permits for the year 2019 and Rs.196,000 had not been recovered as permit fees and preparation fee.</p>	<p>Actions should be taken to inspect eligibilities and issue environment permits.</p>	<p>Future actions will be taken to issue permits for those firms.</p>



### 3.3 Human Resources Management

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	Audit observation	Recommendation	Comments by Accounting Officer
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(a)	<b>Vacancies &amp; excess of cadre</b> ----- Actions had not been taken to fill 06 vacancies of approved posts and regularize excessive cadre of 37 employees even by the end of the year under review.	Vacancies should be filled and excessive posts be regularized.	Actions will be taken to fill vacancies and regularize excess of cadre.
(b)	Additional expenditure of Rs.4,613,760 had to be incurred for the year under review due to non assignment of duties for Health and Road labourers recruited and recruitment of employees on substitute basis.	Should be deployed in duty concerned.	Corrective actions will be taken in future.

### 3.4 Operating inefficiencies

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	Audit observation	Recommendation	Comments by Accounting Officer
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(a)	Boutique rentals of Rs.2,026,800 had not been recovered from 84 temporary boutique rooms and lots of lands involved in trade activities at Asala festival.	Actions should be taken to recover soon.	Actions will be taken to evacuate unauthorized mobile traders of all unsold temporary boutiques and lots of lands.
(b)	Actions had not been to recover business taxes and permit fees of Rs.90,850 for the year 2019 from 97 businesses maintained within the Sabha area as per section 150 (1) of Pradeshiya Sabha Act No.15 of 1987.	Actions should be taken as per the Act.	Cases have been filed for 95 due businesses for the year under review.

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| (c) | Sum of Rs.145,050 had not been recovered from 33 name boards displayed within the Sabha area in the year under review.   | Actions should be taken to recover fees soon.          | Cases have been filed for 33 due name boards for the year 2019.  |
| (d) | Rear side mirror of Terex 820 Backhoe of the Sabha had been broken in the accident occurred in the year under review and officers responsible had not taken actions as per financial regulations 104 (3) and (4) to recover the loss from those responsible. | Actions have to be taken as per rules.                 | Future actions will be taken having discussed with institutions concerned.   |
| (e) | Agreements of 49 boutique rooms had not been updated once in 03 years as per section 5 of circular No. SPC/A/5/6 dated 27 <sup>th</sup> December 2010 issued by Southern Provincial Commissioner of Local Government.  | Actions should be taken as per letter of instructions. | Awareness has been made by letters to enter into agreements as per rental valuation reports of boutique rooms and letters of reminders have been sent. |