

Dodangoda Pradeshiya Sabha
Kalutara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 27 March 2013 and the financial statements for the preceding year had been presented on 30 March 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 30 September 2013.

1.2 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Dodangoda Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2012 and except of the effects on the financial statements of the matters referred to in my report, that the financial statements have been prepared in accordance with Generally Accepted Principles and give a true and fair view of the state of affairs of the Dodangoda Pradeshiya Sabha as at 31 December 2012 and the financial results of its operations for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following observations are made.

- (a) The value amounting to Rs.3,075,000 of 04 projects for which agreements had been signed in year 2013 had been debited to the expenditure of year 2012 and had shown as creditors and as such, the works expenditure and the creditors balance as at end of the year under review had been overstated by Rs.3,075,000.
- (b) The balance of salary reimbursements receivable as at the beginning of the year under review amounting to Rs.1,556,501 had not been adjusted in P.S.19 in order to obtain salary reimbursements.

1.3.2 Lack of Evidence for Audit

Transactions totaling Rs.100,080,640 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

2. Financial and Operating 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 2012 amounted to Rs.6,626,457 as compared with the excess of revenue over recurrent expenditure amounting to Rs.6,930,415 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 shown below.

Item of Revenue	Estimated	Actual	Cumulative Arrears As at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i) Rates and Taxes	3,571	2,010	6,793
(ii) Lease Rent	157	113	170
(iii) Licence Fees	113	112	116

2.2.2 Rates and Taxes

(a.) The annual estimate for rates amounted to Rs.2,492,691 and the rates and taxes in arrears as at 31 December 2012 amounted to Rs.4,924,718. This balance included arrears of Rs.1,432,126 relating to the year under review and Rs.3,492,592 relating to the preceding years.

(b.) The last rates assessment carried out by the Sabha was in year 2008 and 392 building plans had been approved from 2009 to end of 2012. Conformity certificates had been issued to only 39 plans of the above as at 24 January 2013. Action had not been taken to ensure whether the buildings relating to the

balance of 353 plans had been completed and to recover rates on a temporary assessment.

2.2.3 Acre Tax

- (a.) Although the Acre Tax income billed for the year 2012 amounted to Rs.96,924 the balance in arrears as at 31 December 2012 amounted Rs.1,292,745.
- (b.) The Revenue Controller; based on his surveys had informed the Sabha in August, September, November and December 2012 to remove 126 properties of zone No.04 from the Register of Acre Tax on which Acre Tax are recovered, due to the reasons of auctioning of lands, partition of lands among children and sale of lands. But, necessary action had not been taken by the Sabha in this connection.

2.2.4 Lease Rent

- (a.) The stall No.129 of the Neboda General Market had been leased since 1999 and the lessee had defaulted signing the agreement and payment of rent after 30 April 1999. Although a sum of Rs.21,000 was due as at 31 December 2012 action had not been taken to acquire the Stall back to the Sabha.
- (b.) The rent in arrears amounting to Rs.24,456 due from the lessee of the Stall No.20 of the Dodangoda General Market for the period 2003 to February 2011 had not been recovered even by 23 January 2013; the date of audit examination.
- (c.) Action had not been taken even by 23 January 2013; the date of audit examination to recover the rent outstanding amounting to Rs.38,319 existed since prior to year 2008 in respect of the meat stall.

2.2.5 Temporary Stalls and Ground Tax

A proper advertising method had not been followed in tendering temporary stalls and plots of lands. Due to this, tenders had been received for 16 out of 23 properties tendered at 01 tender for each and tenders had been awarded to them. No fresh tenders had been called for the balance 07 properties.

2.2.6 Other Revenue

(a.) Lease of Dredging Centre

Lease rent amounting to Rs.34,000 payable by the lessee before 31 December 2011 in respect of the sand quarry of Thebuwana River for the year 2012 had been obtained by the Revenue Controller on 23 October 2012. However, it was observed that this money had not been handed over to the Office.

(b.) Income from Entertainment Tax

Entertainment tax due in respect of the “Super Gold Colour Night-2012” show organized and held by the Ganima Youth Organization on 28 September 2012 at Regithawatta Play Ground had not been recovered even by 24 January 2013.

2.2.7 Court Fines and Stamp Fees

Money receivable as at 31 December 2012 from the Chief Secretary of the Provincial Council and other authorities are shown below.

	<u>Rs.</u>
(i) Court Fines	7,767,897
(ii) Stamp Fees	11,706,724

2.3 Contract Administration

2.3.1 Laying Inter-locking Blocks for the Atorawila Road

A sum of Rs.873,674 had been spent during the year under review for laying inter-locking blocks to a length of 174.05 Metres and a width of 2.7 Metres for the above road under the Maga Neguma Project.

There is a stream across the road and 8.3 Meters had been allowed for this stream and the blocks had been laid for the balance. But, the required facilities had not been provided to the passengers to cross this stream. A field inspection carried out on 23 January 2013 revealed that the blocks laid had been displaced to an extent of 0.9 Square Meters near the stream.

2.3.2 The Road up to the House of Mr.Daya Gunawardane from 01st Mile Post-Vawulgoda Dodangoda

A sum of Rs.611,243 had been spent during the year under review for laying inter-locking blocks for the above road to a length of 114.5 Meters and a width of 2.5 Meters under the Maga Neguma Project.

A physical check carried out on 23 January 2013 with the assistance of the Work Superintendent revealed the following matters.

- (a.) An estimate of Rs.1,140,000 had been prepared to lay inter-locking blocks for the above road to an extent of a length of 210 Meters and a width of 2.7 Meters. But according to the measurements the total length of the road is 97.5 Meters and therefore 112.5 Meters had been over estimated.
- (b.) Inter-locking blocks had been laid for a length of 97.5 Meters and a width of 2.7 Meters (263.25 Square Meters) from the starting point to the end of the road at 38 blocks approximately per square meter. Accordingly, 10,000 blocks had been laid for the 263.25 square meters completed. But, according to the final payment report, a sum of Rs.393,960 had been paid for 12,000 blocks and therefore, a sum of Rs.65,660 had been over-paid for 2,000 blocks.
- (c.) According to the Register of Roads, this road not belongs to the Sabha and further it was observed that the beneficiaries of this road are only 06 persons.

2.3.3 Non-implemented Projects

The Ministry of Ports and Highways had approved provisions amounting to Rs.33,301,000 to the Dodangoda Pradeshiya Sabha for 41 projects under Maga Neguma Rural Roads Development Programme – 2012. But, these projects had not been commenced even by 24 January 2013; the date of audit examination.

2.4 Operating Inefficiencies

2.4.1 Payment of Advances

- (a.) Six advances totaling Rs.241,277 given since 2009 had not been settled even by 23 January 2013; the date of audit examination. Further, there were 25 advances totaling Rs.173,523 given during the period 1991 to 2006.

(b.) According to Financial Regulation 371(2)(b) of the Republic of Sri Lanka an advance given at a time should not be more than Rs.20,000. However, advances, totaling Rs.223,825 had been given at 02 instances.

2.4.2 Verification of Assets

Although the Sabha had appointed Boards of Survey in every year, surveys had not been carried out since year 2007.

2.4.3 Annual Procurement Plan

An annual procurement plan had not been prepared.

2.5 Payment of Compensation in respect of Preparation of Mirispelawatta Road

The following observations are made.

The Sabha had widen the 4 1/2 foot path connecting the Mirispelawatta to the Neboda main road up to a width of 7 1/4 acquiring further 3 feet from the land owned by a person named Suduwadewage Wilbert, Mirispelawatta, Bombuwala by demolishing the parapet wall of the west boundary of his land on 27 November 1999 without informing him. As such, case No.MR 4373 had been filed at the District Courts, Kalutara on 24 January 2000 against the Chairman for the damaged occurred.

According to the judgement given on 20 February 2003 it had been ordered to pay Rs.237,000 and a further sum of Rs.31,975 as stamp fees, appearance charges and expenses on consequential documents.

The Sabha had made an appeal at the Civil Appeal Court, Kalutara under case No.56/2004/F against the above judgment. But, the same judgment had been given on 19 May 2011. The Sabha had spent a sum of Rs.56,000 for this appeal. Therefore, the Sabha had suffered a loss of Rs.324,975 on the above case.

2.6 Internal Audit

Action had not been taken to establish an Internal Audit Unit as required by Financial Regulation 128,132,134 and Circular No.WP/LGD/10/2008 dated 19 August 2008 of the Commissioner of Local Government.

3. Systems and Controls

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

- (a) Accounting
- (b) Budgetary Control
- (c) Revenue Administration
- (d) Assets Management
- (e) Contract Administration