

**Dikwella Pradeshiya Sabha**

**Matara District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year under review had been presented to audit on 28 March 2013 and the financial statements for the preceding year had been presented to audit on 27 February 2012. The Report of the Auditor General for the year under review was furnished to the Chairman of the Sabha on 08 August 2013.

**1.2 Opinion**

In view of the comments and observations appearing in my report I am unable to express an opinion on the financial statements of the Dikwella Pradeshiya Sabha for the year ended 31 December 2012 presented for audit.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Policies**

Computerized financial statements had been prepared for the year under review and the methodology of computerization had not been disclosed in the financial statements. As such it was not possible to establish that the transactions of the year under review had been accurately brought to account. The PS Formats and the Schedules used in the preparation of the financial statements had also not been prepared.

**1.3.2 Accounting Deficiencies**

The following accounting deficiencies were observed.

- (a) As the accounts had been prepared by using the Formats from P.S 3 to PS 19 in terms of the Pradeshiya Sabha (Financial and Administration) Rules 1988, the accuracy of the balances shown in the financial statements had not been established.
- (b) The library books, computer printer, a UPS and pre-school equipment valued at Rs.488,148 purchased by the Sabha in the year under review had not been brought to account under the fixed assets.

- (c) The estimated stamp fees revenue for the preceding year amounting to Rs.5,500,000 had been shown in the accounts while the actual receipts amounted to Rs.9,799,402. Even though the adjustments to accounts through journal entries should be made for the under-allocation of Rs.4,299,402 in the year under review, it had not been done.
- (d) Even though the opening balance of 06 assets accounts value at Rs.7,731,489 and 06 liabilities accounts valued at Rs.8,506,329 should be transferred to the respective ledger accounts through journal entries, it had not been so done.
- (e) The Control Accounts had not been prepared by adding the bills issued for the year to the opening balances of the Control Accounts relating to Rates and Taxes, Acreage tax and Entertainment Tax and adjusting the receipts in the year and the closing balance as at the end of the year under review.
- (f) According to the Schedule of Lands and Buildings of the Pradeshiya Sabha for the year under review, 13 blocks of land 04 acres 01 rood in extent received as donations by the Sabha had not been valued and brought to account under the lands and buildings.
- (g) Even though the opening balance of the outstanding Other Revenue Account of the year under review amounted to Rs.4,477,704 the value according to the ledger account amounted to Rs.8,506,331, thus resulting in a difference of Rs.4,028,627.
- (h) According to the financial statements for the year under review, the brought forward balance of the Accumulated Fund Account amounted to a negative balance of Rs.95,153,969 whereas according to the main ledger that amounted to a favorable balance of Rs.40,234,077.
- (i) The value of the stocks of drugs received from the Ayurvedic Drugs Corporation in the year under review amounting to Rs.395,698 had not been brought to account as receipts. Even though the closing stock of drugs as at the end of the year under review amounted to Rs.54,193, that had been shown in the financial statements as Rs.140,492, thus resulting in an overstatement of Rs.86,299.
- (j) The balances of 13 items of account amounting to the Control Accounts amounted to Rs.57,826,546 whereas according to the financial statements, the balances of the accounts totaled Rs.42,664,381 thus resulting in a difference of Rs.15,162,165.

(k) The balance of the accounts receivable and the accounts payable older than 01 year as at 31 December 2012 amounted to Rs.107,500 and Rs.85,044,498.

### **1.3.3 Lack of Evidence for Audit**

Transactions totaling Rs.90,297,692 could not be satisfactorily vouched in audit due to the non-submission of the required information to audit.

## **2. Financial and Operating Review**

### **2.1 Financial Results**

According to the financial statements presented, the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2012 amounted to Rs.80,589,896 as against the excess of revenue over recurrent expenditure for the preceding year amounting to Rs.5,329,023.

### **2.2 Revenue Administration**

#### **2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue**

The information on the estimated revenue, the actual revenue and the arrears of revenue for the year under review presented by the Chairman is given below.

	Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
	-----	-----	-----	-----
		Rs.'000	Rs.'000	Rs.'000
(i)	Rates and Taxes	1,869	1,490	775
(ii)	Lease Rent	4,627	6,522	3,454
(iii)	Licence Fees	667	950	746
(iv)	Other Revenue	6,457	6,498	30,416

### **2.2.2 Arrears of Taxes and Charges**

Action in terms of the provisions in Sections 158 and 159 of the Pradeshiya Sabha Act, No.15 of 1987 had not been taken for the recovery of the taxes and charges receivable in respect of the year under review and the preceding year amounting to Rs.1,409,662.

### **2.2.3 Court Fines and Stamps Fees**

Court fines amounting to Rs.253,384 and stamp fees amounting to Rs.5,743,142 remained receivable as at 31 December 2012 from the Chief Secretary of the Provincial Council and other authorities.

### **2.2.4 Trade Stall Rents**

The following observations are made.

#### **(a) Trade Stalls at Dickwella Bus Stand**

Agreements had been signed on 01 May 2010 for leasing out of 05 trade stalls of the ground floor at the rate of Rs.500 per month and 13 trade stalls of the upper floor at the rate of the 800 per month. According to clause one of the agreement, the specified lease rent should be paid every month before the twenty fifth day. As it had not been so done, the arrears as at the end of the year under review amounted to Rs.88,400.

#### **(b) Trade Stalls at Dickwella Public Market**

The periods of the agreements signed for 20 trade stalls of Dickwella Public Market had expired on 31 December 2012. Even 4 months after the expiry of the agreements, the lessees had been allowed to run the business without taking action to sign new agreements. Clauses 01, 02 and 03 had been breached. Even though it was stated in the agreements that non-payment of lease rent would result in the cancellation of the agreements, the lessees continue to run the business while lease rent amounting to Rs.150,750 had been in arrears from 10 trade stalls as at the end of the year under review.

(c) Trade Stall of Beliwatta Public Market

Thirteen trade stalls of the Public Market at Beliwatta had been leased on agreements signed for a period of three years from 01 June 2010 to 01 June 2013 and according to clause 09 of the agreement the leased premises should open for business activities and should not be kept closed for any reason whatsoever. Nevertheless trade stalls No.01, 02, 04, 05 and 13 had been kept closed and a sum of Rs.143,500 remained receivable from those trade stalls as at the end of the year under review. Further, it was observed at the physical inspection on 03 May 2013 that contrary to the agreements persons other than the lessees had been running business the trade stalls No.03, 06 and 07. But the officers responsible of the Sabha had not brought that to the notice of the Sabha.

(d) Trade Stall of Walasgala Public Market

- (i) Sums of Rs.10,500 and Rs.4,500 remained receivable as at 31 December 2012 from the trade stall Nos.01 and 02 of the Public Market at Walasgala.
- (ii) The agreement period of the trade Stall No.03 had expired on 01 September 2012 and despite the elapse of 07 months action had not been taken to renew the agreement. Further, it was observed at the physical inspection on 03 May 2013 that this trade stall had been sub-leased to another person for project work.

(e) Trade Stall of Ratmale Public Market

A sum of Rs.69,300 comprising Rs.50,500 from two trade stalls of the Public Market at Ratmale and Rs.18,800 from 10 trade stalls of the shopping complex at Radampola remained receivable.

## **2.3 Human Resources Management**

The following observations are made.

- (a) The approval carder and the actual carder of the Sabha as at 31 December 2012 had been 52 and 65 respectively. The Commissioner of Local Government had reimbursed a sum of Rs.17,883,500 as the salaries of staff and the members' allowances. Whereas the expenditure on salaries for the year amounted to

- Rs.18,681,608, there resulting in an additional expenditure of Rs.798,108 for the Sabha fund.
- (b) According to the Management Service Circulars No.14 of 03 January 2002 and No.28 of 10 April 2006 the recruitment of casual, substitute and contract employees by Local Authorities had been suspended. Nevertheless, 25 employees had been recruited contrary to such provisions and a sum of Rs.3,868,839 had been paid in the year under review from the Sabha Fund. It had been further emphasized that if action surpassing the circular instructions is taken, the head of the institution is personally responsible for such action.

#### **2.4 Operating Inefficiencies**

The following observations are made.

- (a) According to the agreement signed with the Ceylon Electricity Board, the approved number of street lamps had been 186 whereas 308 had been installed. The registers relating to the places of installation of lamp accessories or a register of Sabha decisions on the places of installation of such accessories had not been furnished.
- (b) The permanent cadre of the two Ayurvedic Dispensaries Comprised two Ayurvedic physicians, one Dispenser and two labourers and a sum of Rs.1,401,317 had been paid in the year under review as salaries. Action had not been taken to submit Ayurvedic Format 39 with information on the salaries and allowances of the two Physicians, the Dispenser and the minor employees, rent of buildings, the value of drugs, charge per patient to the Commissioner General of Ayurveda for obtaining the Government grant for the Free Ayurvedic Dispensaries under the control of the Local Authorities.

#### **2.5 Unauthorized Constructions**

- (a) Twenty six unauthorized constructions had been erected in the area of authority of the Sabha due to the failure to take action in terms of the by-laws referred to in Sections 126(vii) (e) and (g) and 126(ix)(e) of the Pradeshiya Sabha Act, No.15 of 1987.

- (b) The Sabha could not take action in this connection as the Sabha had not made the by-laws relating to unauthorized construction in accordance with the provisions in the Act.
- (c) Action in terms of Section 55(i) of the Pradeshiya Sabha Act, No.15 of 1987 had not been taken on the unauthorized construction falling under the purview of the Pradeshiya Sabha.

## **2.6 Staff Loans Recoverable**

The balances of staff loans and advances recoverable as at 31 December 2012 totalled Rs.2,551,214.

## **2.7 Solid Waste Management**

The Solid Waste Project had been implemented by utilizing the non-degradable waste collected from 7.2 kilometres of main roads and 8.05 kilometers of by-roads in the area of authority of the Pradeshiya Sabha on which garbage is collected by the Sabha.

The Sabha had spent a sum of Rs.1,266,706 as salary and a sum of Rs.1,955,723 as the expenditure on motor vehicles in this connection. The following observations are made in this connection.

- (i) A Compost Project utilizing the garbage disposed of had not been implemented.
- (ii) The Pradeshiya Sabha had not paid attention to the environmental protection aspect in the waste management. Instead of the Sabha taking over the responsibility for the disposal of waste of the funeral undertakers and the hospital, that had been assigned to those institutions.
- (iii) The two places selected for the waste disposal in the area of authority of the Sabha had not been specifically identified.

## **3. Systems and Controls**

The special attention of the Sabha is drawn to the following areas of systems and controls.

- (a) Accounting
- (b) Revenue Management
- (c) Assets Management