

Dimbulagala Pradeshiya Sabha
Polonnaruwa District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the preceding year and the year under review had not been submitted to audit even up to 22 December 2015. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 23 October 2015.

1.2 Comments on Transactions, Operations and Performances

1.2.1 Lack of Evidences for Audit

(a) Audit queries not replied

While replies had not been furnished to 03 audit queries raised during the year under review and the preceding year even up to 30 August 2015, the value of transactions which could be computed subject to those audit queries amounted to Rs.496,663,011.

(b) Non-submission of Information for Audit

- (i) Expenditure incurred amounting to Rs.1,901,958 through 33 vouchers could not be satisfactorily vouched in audit due to non-submission adequate information required to audit.
- (ii) Although goods had been provided to various individuals and welfare societies having spent a sum of Rs.247,000 under Decentralized Funds during the year under review, any register or document in acknowledgement of those goods were not furnished to audit.
- (iii) Although a sum of Rs. 94,720 had been paid for fuel for utilization of the private vehicle of the Chairman as the vehicle used by the Chairman was handed over for repairs, relevant running charts and fuel bills were not furnished to audit.

2. **Financial and Operating Review**

2.1 **Revenue Administration**

2.1.1 **Estimated Revenue, Actual Revenue and Arrears of Revenue**

Information furnished by the Secretary of the Sabha relating to Estimated Revenue, Actual Revenue and Arrears of Revenue relevant to the year under review is shown below.

	Source of Revenue	Estimated Revenue	Actual	Cumulative Arrears as at 31 December
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		Rs.000	Rs.000	Rs.000
(i.)	Rates and Taxes	17,432	11,634	5,798
(ii.)	Lease Rent	8,958	7,314	1,644
(iii.)	Licence Fees	834	198	635
(iv.)	Charges for Services	1,926	1,012	913
(v.)	Other Revenue	601	207	394

2.1.2 **Court Fines**

A sum of Rs.3,581,469 recovered under various ordinances through Magistrate Courts and remitted to the Chief Secretary was due to be received to the Sabha as at 31 December 2014.

2.1.3 **Stamp Fees**

While Stamp Fees amounting to Rs.775,000 collected by the Registrar General as at 31 December 2014 was due to be received from the Chief Secretary, the Sabha had failed to get any Stamp fees for the year 2014.

2.1.4 Arrears of Water Charges

While Arrears of Water Charges due to be recovered from 04 Water Supply Schemes amounted to Rs.5,097,588, balance in arrears at the end of the year had been Rs.5,802,441 indicating a very nominal progress of recovery such as 1.2% during the year under review.

3. Operating Review

3.1 Management Inefficiencies

- (a) Although the Revenue Overseer of the Sabha had been transferred to Thamankaduwa Pradeshiya Sabha, action had not been taken to get back 16 field books in the custody of that officer even as at 31 August 2015.
- (b) Savings of estimated provisions relevant to 19 Items of Expenditure in a range from 50% to 100% and excess of expenditure in a range from 100% to 430% had taken place and accordingly it was observed that there had been a weakness in preparation of estimates.
- (c) Although Cash in Hand balance as at 31 December 2014 was Rs. 712,881, a sum of Rs.550,264 out of that had been accounted on 01 January 2015. However the balance amount of Rs. 162,619 had not been accounted on the same date and a system of accounting it from time to time had been followed.
- (d) Action in terms of Financial Regulation 396 had not been taken with regard to 35 cheques valued at Rs.767,394 which had elapsed exceeding 06 months time.
- (e) Action in terms of Financial Regulation 570 had not been taken with regard to Deposits valued at Rs.276,810 which had elapsed exceeding 02 years.

- (f) Although 818 CLF Bulbs had been purchased and 712 had been issued during the period from 20 February 2014 to 03 August 2014, any particulars relating to the issues had not been recorded. Although there was a balance of 106 CLF Bulbs according to the registers, as at 30 August 2015, date of audit, such physical balance was not available.
- (g) Although 360 Galvanized Flag Posts valued at Rs.398,520 handed over to the Sabha for public utilities on 17 November 2014 by the Director General of Divi Neguma Development had been removed by the Pradeshiya Sabha Members and the Chairman, Sabha had not taken action to get back the Galvanized Pipes even as at 30 August 2015, date of audit.

3.2 Idle and Under-utilized Assets

Rice Flour Production Equipment Set valued at Rs.541,000 provided to the Dimbulagala Pradeshiya Sabha during the year 2004 by the Chief Ministry of the North Central Province for implementation a Publicity Programme for Rice Flour during the year 2004 had been stored in two stalls obtained from the Mahaweli Authority on the basis of a monthly rental. It had not been possible to operate it due to lack of three phase electricity in that area. This equipment set was lying idle for more than 10 years as at the year under review.

3.3 Improper Transactions

- (a) A sum of Rs. 537,500 had been paid out of the Sabha Fund during the year under review as Fuel, Telephone and Stationery Allowance based on the Letter No. NCP/LG/A/8/2IV Volume dated 01 January 2014 of the Commissioner of Local government, without provision in terms of Section 132 of the Pradeshiya Sabha Act No. 15 of 1987 and in the Extra Ordinary Gazette Notification No. 1528/21 dated 19 December 2007 of the Chief Minister of the North Central Province.

- (b) Although a sum of Rs. 45,211 had been spent for various Entertainment Expenses during the year under review, action had not been taken to obtain proper approval for that.
- (c) A sum of Rs. 122,941 had been spent during the year under review for various donations and various functions without prior approval of the Minister in charge of the Subject in term of Sections 132 (a) and (k) of the Pradeshiya Sabha Act No. 15 of 1987.
- (d) Although the monthly fuel limit to be born for official travel of a Chairman of a Sabha should not exceed 400 liters of diesel in terms Rule 1(i) of the Extra Ordinary Gazette Notification No. 1528/21 dated 19 December 2007, a sum of Rs.89,338 had been spent out of the Sabha Fund for 738 liters of fuel used exceeding that limit.
- (e) Although an amount equal to 400 liters of diesel could be incurred out of the Sabha Fund for private vehicles, when a vehicle is not available to the Sabha, remaining in the fuel limit with the permission of the Commissioner of Local Government, in terms Rule 1(iii) of the Extra Ordinary Gazette Notification No. 1528/21 dated 19 December 2007, a sum of Rs. 193,500 had been spent out of the Sabha Fund for private vehicles exceeding that limit.
- (f) In terms of Rule 154 of the Manual of Procedure of the Public Service Commission, the authority for re-employment of a retired person from public service is vested only in the Public Service Commission. However, according to a Sabha decision, a retired Technical Officer (Civil) of Grade ii “a” had been appointed for the post of Technical Officer with effect from 03 October 2013 and a sum of Rs. 213,000 had been paid as salaries and allowances from the Sabha Fund during the year under review.

- (g) Although the monthly fuel limit for a cab vehicle belongs to the Sabha (Pool Vehicle) had been stipulated as 250 liters per month in the budget for the year 2014, contrary to that, 880 liters of fuel valued at Rs. 105,801 had been used exceeding that limit.
- (h) A sum of Rs. 63,957 had been paid as allowances to Technical Officer and other 03 officers for performing duties relating to Works out of funds provided for administrative expenses of the Maga Neguma Rural Development Project – 2013 without any legal provision.
- (i) A sum of Rs. 39,200 had been paid as travelling expenses and subsistence to the Secretary of the Sabha for traveling to Welikanda Pradeshiya Sabha during the year under review contrary to provisions in Sub-section 3.1 in Chapter xiv of the Establishments Code of the Republic of Sri Lanka.

3.4 Human Resources Management

Information relating to the approved cadre and present cadre of the Sabah during the year under review is shown below.

Category of Posts	Approved Cadre	Actual Cadre	Number of Cadre	Surplus
Senior Level	01	01	--	--
Tertiary Level	01	--	01	--
Secondary Level	14	06	08	--
Preliminary Level	32	31	01	--
Casual, Substitute, Contract and Monthly Allowance Basis	--	--	--	41
Total	48	38	10	41
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Following observations are made in this connection.

- (a) Although 05 Development Officers, a Technical Officer and a Librarian had been approved for the approved cadre of the Sabha, those posts remained vacant.
- (b) It was observed that 41 employees recruited on casual/temporary, contract basis and receiving salaries from the Sabha were there as surplus employees not falling under permanent cadre.

4. Accountability and Good Governance

4.1 Budgetary Control

An adequate attention had not been made with regard to the Budget for the year under review in terms of Chapter 11 of the Pradeshiya Sabha Rules Code No. 584/5 dated 15 April 1989.

4.2 Action Plan

An Annual Action Plan including activities targeting achievements of the objectives in the Pradeshiya Sabha Act with a long term vision had not been prepared for the year under review in terms of Chapter 04 of the Public Finance Circular No. 01/2014 dated 17 February 2014.

4.3 Internal Audit

An adequate internal audit had not been carried out by the Internal Audit and Investigations Department or the Local Government Department of the North Central Province during the year under review.

5. Systems and Controls

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

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Management
- (d) Debtors and Creditors Control