

**Dikwella Pradeshiya Sabha**

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**Matara District**  
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1. Financial Statements

1.1 Presentation of Financial Statements

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The Financial Statements for the year under review had been presented to the Audit on 25 November 2016 and the financial statements for the preceding year had been presented to the Audit on 31 March 2015. The Report of the Auditor General for the year under review was sent to the Secretary of the Sabha on 31 March 2017.

1.2 Qualified Opinion

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In my opinion, except for the effects of the matters described in paragraph 1.3 of this report the financial statements give a true and fair view of the financial position of the Dikwella Pradeshiya Sabha as at 31 December 2015 and its financial performance for the year then ended in accordance with the Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

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The following accounting deficiencies were observed during the course of audit.

- (a) A difference of Rs.200,000 was observed between the balance of the Revenue Contributions to the Capital Outlay Account and the balance of the fixed assets which should be equal to each other.
- (b) The Licence Fees Revenue for the year under review had been understated by a sum of Rs.306,290.
- (c) The Rates and Taxes Revenue amounting to Rs.447,539 and the Rent Revenue amounting to Rs.367,636 relating to the year under review had been overstated.

1.3.2 Unreconciled Control Accounts

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Difference totaling Rs.317,589,827 were observed between the balances relating to 05 items of account included in the financial statements and the balances shown in the schedules relating thereto.

1.3.3 Accounts Receivable and Payable

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Even though there were 03 balances of Accounts Receivable amounting to Rs.360,036 and 345 deposit balances amounting to Rs.7,188,805 older than 03 years, steps had not been taken for the settlement of those balances.

#### 1.3.4 Lack of Evidence for Audit

Adequate evidence relating to 02 balances of fixed Assets totaling Rs.159,690,373 and 02 balances of liabilities amounting to Rs.214,063,842 included in the financial statement had not been furnished and as such those could not be satisfactorily examined in audit.

#### 1.3.5 Non-compliance with Laws, Rules and Regulations

The following instances of non-compliance were observed during the course of audit.

- (a) A sum of Rs.149,985 had been spent on celebrations during the year under review without obtaining the prior approval of the Minister in terms of Section 132(A) of the Pradeshiya Sabhas Act, No.15 of 1987.
- (b) A Register of Fixed Assets on Computers, Accessories and Software had not been maintained in terms of the Treasury Circular No.IAI/2002/02 dated 28 November 2002.

### 2. Financial Review

#### 2.1 Financial Results

According to the financial statements presented, the excess of revenue over the recurrent expenditure of the Sabha for the year ended 31 December 2015 amounted to Rs.20,227,667 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounting to Rs.2,248,182. The financial results for the year under review, as compare with the preceding year, indicated an improvement of Rs.17,979,485.

#### 2.2 Analytical Financial Review

A Summarized Statement of the total Recurrent Revenue, the Self-generated Revenue and the Revenue Grants as well as the total Recurrent Expenditure of the Sabha is given below.

Year	Total Recurrent Revenue	Revenue Grants	Self-generated Revenue	Total Recurrent Expenditure	Recurrent Expenditure exceeding the Self-generated Revenue
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	Rs.	Rs.	Rs.	Rs.	Rs.
2015	81,720,168	38,658,319	43,061,849	61,492,501	(118,430,652)
2014	49,361,315	25,028,320	24,332,995	47,113,133	(22,780,138)
2013	38,907,439	15,626,488	21,280,971	38,280,119	(14,999,148)

The following observations are made in this connection.

- (a) A considerable improvement in the Revenue Grants in the year under review and the two preceding years as well as the self-generated revenue of the year under review is indicated.
- (b) Even though the recurrent expenditure of the three years had increased continuously in considerable measure, the attention of the Sabha had not been paid for controlling that position.

- (c) If revenue grants are not received, it will indicate that it would not be possible in any manner whatsoever to cover the recurrent expenditure from the self-generated revenue.
- (d) In view of the matters shown at (a) to (c) above, it is observed that the attention of the Sabha should be paid for increasing the revenue position of the Sabha, that a formal course of action for that purpose should be prepared and implemented and if such action is not taken, problematic situation could occur due to the weaknesses in the financial management of the Sabha, thereby causing adverse impacts on the going concern of the Sabha.

## 2.3 Revenue Administration

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### 2.3.1 Rates and Taxes

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Action in terms of Section 158(1)(A) of the Pradeshiya Sabhas Act, No.15 of 1987 had not been taken for the recovery of the arrears of the Rates and Taxes as at the end of the year under review totaling Rs.2,599,127.

### 2.3.2 Trade Stall Rents

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Action in terms of Section 159(1) of the Pradeshiya Sabhas Act, No.15 of 1987 had not been taken for the recovery of the arrears of the Trade Stall Rents as at the end of the year under review totaling Rs.1,742,768.

### 2.3.3 Courts Fines and Stamp Duty

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Courts fines amounting to Rs.755,829 and the Stamp Duty amounting to Rs.32,038,429 had been receivable as at 31 December 2015 from the Chief Secretary of the Provincial Council and other Authorities.

## 3. Operating Review

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### 3.1 Performance Evaluation

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#### 3.1.1 Progress of Implementation of Proposals

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Sixty two proposals approved for implementation with Sabha funds during the year under review had not been implemented.

#### 3.1.2 Operating Inefficiencies

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Even though 57 estimates costing Rs.33,302,447 had been prepared in the year under review 17 of those works had not been implemented.

### 3.2 Management Inefficiencies

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#### 3.2.1 Human Resources Management

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Even though there were 06 vacancies and 25 excesses in the staff as at the end of the year under review, action had not been taken to fill the vacancies or to formalising the excesses.

#### 3.2.2 Staff Loans

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The Staff loan balance as at the end of the year under review totalling Rs.8,575,674 included 02 balances totaling Rs.56,623 older than 07 years and remaining without being recovered.

### 4. Good Governance and Accountability

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#### 4.1 Budgetary Control

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Savings totaling Rs.1,239,110 of 04 items of expenditure were observed in the budget for the year under review whilst excesses on provisions totaling Rs.13,902,161 were observed in 04 other items of expenditure.

#### 4.2 Audit and Management Committee

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Action in terms of the provisions in the Audit and Management Circular No.DMA/2009(i) dated 09 June 2009 had not been taken even by the end of the year under review for the establishment of the Audit and Management Committee.

#### 4.3 Assets Management

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##### Idle and Underutilized Assets

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A lorry costing Rs.2,000,000 and a tractor costing Rs.425,000 belonging to the Sabha remain idle from the year 2015, whilst the road roller received as a donation from the Ministry of Local Government and Provincial Councils on 07 February 2015 had been underutilized.

### 6. Systems and Controls

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

- (a) Accounting.
- (b) Budgetary Control.
- (c) Assets Management.
- (d) Human Resources Management.