

Dompe Pradeshiya Sabha
Gampaha District

1. Financial Statements

1.1. Presentation of Financial Statements

The financial statements for the year under review had been presented for audit on 31 March 2016 and the financial statements for the preceding year had been presented on 31 March 2015. The report of the Auditor General for the year under review was issued to the Secretary of the Sabha on 29 June 2016.

1.2. Qualified Opinion

Except for the effects on the financial statements of the matters referred to in Paragraph 1.3 of this report, I am of opinion that the financial statements have been prepared in accordance with the Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Dompe Pradeshiya Sabha as at 31 December 2015 and the financial result of its operations and cash flows for the year then ended.

1.3. Comments on Financial Statements

1.3.1. Accounting Deficiencies

The following deficiencies are observed.

- (a) Action had not been taken to correct the accounting deficiencies pointed out in the report of the Auditor General for the year 2014.
- (b) The value of 13.44 perches land named Weke Watta which is also known as Maligawatta, bearing deed number 17143 amounted to Rs.2,000,000 and this had been entered in the accounts and fixed asset register as Rs.200,000.

1.3.2. Lack of Evidence for Audit

- (a) The confirmation of balances relevant to the loan balance, of Rs.2,897,764 obtained from the Asian Development Bank were not presented for the audit.
- (b) Action had not been taken to obtain a bank statement, containing the details such as the interest income, interest percentage, and withholding tax as at 31 December 2015, in respect of the fixed deposits valued at Rs.7,127,650 as at 01 January 2015, and only the balance as at 31 December 2015 had been obtained and brought to account.

2. Financial 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 2015 amounted to Rs.89,727,106, as compared with the excess of revenue over recurrent expenditure amounting Rs.40,395,817 for the preceding year.

2.2. Financial Control

- (a) The balance in the collection account of Dompe Sub Office as at 31 December 2015 amounted to Rs.3,332,126 and from May 2015 onwards, the money in this account had not been transferred to the account at the Head Office. Therefore it was observed that the funds of the Sabha had not been utilised economically and effectively.
- (b) Action had not been taken in accordance with the Financial Regulation 371 of the Republic of Sri Lanka, in respect of settling the Rs.453,056 which had been paid in respect of 06 works. Out of this, the advances amounting to Rs.150,556 had been obtained in respect 02 works and action had not been taken to settle this amount, though 07 to 10 years had been passed. The delay in settling the balance advance amounting to Rs.302,500, had been 1½ to 9 months.

2.3. Revenue Administration

2.3.1. Performance on Revenue Collection

The information submitted by the Secretary with respect to Estimated Revenue, Actual Revenue and Revenue in Arrears relevant to the year under review are indicated below.

Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
	Rs.000,	Rs.000,	Rs.000,
Rates and Taxes	6,111	7,193	2,913
Lease Rent	7,300	7,583	280
Trade Licence Fee	1,195	1,158	37

2.3.2. Stall Rent

- (a) The balance of payments in advance relevant to 03 trade stalls in Kirindiwela New Trade Complex amounted to Rs.2,809,715 as at 31 December 2015, and this had been carrying forward since the year 2011. Out of this balance a sum of Rs.1,214,945 had been recovered as at 07 April 2016 and the balance receivable further amounted to Rs.1,594,770.
- (b) According to the tender agreement of beef stall and *Sathipola* at Poogoda, a security deposit of Rs.25,000 each should be deposited for water and electricity supplies. But this amount had not been deposited.

3. Operating Review

3.1. Idle and Underutilized Assets

The stall number 23 in the Kirindiwela General Market had been closed since April 2014, and the rent in arrears due as at 31 December 2015 amounted to Rs.39,600.

3.2. Contract Administration

3.2.1. Delayed Projects

- (a) Since funds had not been reimbursed for various projects implemented in the year 2014, a sum of Rs.13,408,200 had been spent, for 24 works under *Dorin Dorata Gamin Gamata* project, utilising the funds allocated for Sabha works in 2015. This amount had not been reimbursed even by February 2016. The Commissioner of Local Government letter LGD/GM/03 dated 16 March 2015, had given approval to make payments from Sabha funds only for 02 works valued at Rs.1,527,236.
- (b) 37 projects valued at Rs.9,000,000 had been approved during the year under review and 25 projects valued at Rs.6,525,000 had not been commenced even as at 31 December 2015, due to non-availability of financial provisions.
- (c) The Sabha had received 14 projects valued at Rs.4,165,000 for road development under Criteria Based Grants of Western Province during the year under review. According to the date of commencement and the date of completion of the projects, the time taken for the development work had been a short duration of 02 to 11 days. Therefore a questionable situation arose during the audit, whether these development works had been carried out in accordance with the specified standards. These payments had been made based on the reports of technical officers.
- (d) The Sabha had deprived of funds amounting to Rs.2,000,000 due the failure in completing 03 projects received by the Sabah, within the stipulated time period. It had not been possible to implement the projects, due to the inadequacy of the time period as well as the issue involving the ownership of the land in one project.

3.3. Management Inefficiencies

The following matters are observed. Though 468 roads extending to 178.5 square kilometres had been registered within the area under the authority of the Pradeshiya Sabha, they had not been categorised, identified and mapped, as concrete, gravel and tarred, separately. The road registers had not been updated after the year 2012

- (a) There are 10 rural libraries under 4 public libraries within the area under the authority of the Pradeshiya Sabha. According to the verification reports, deficiencies such as; a large number of books had been soaked and damaged in the Pelpita rural library as it been functioning in a dilapidated building located in Yakambe community hall; action not being taken to change the used books; persons in charge of the libraries were not in the libraries continuously as they were busy; and informal lending and misplacing of books; were observed.
- (b) The arrears of interest on property loans in respect of the periods from June to December 2013, and January to December 2014, had been Rs.111,610 and Rs.321,792 respectively, and action had not been taken to get reimburse this during the year under review.

3.4. Human Resource Management

The details of Approved and Actual Cadre as at 31 December 2015 are indicated below.

Grade	Approved	Actual	Excess	Vacancies
Staff Officers	05	05		
Primary	142	147	05	
Secondary	52	51		01
Casual and Substitute	-	01	01	-
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Total	199	204	06	01
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8 to 11 employees had been recruited for the premix project monthly and a sum of Rs.1,232,300 had been paid during the period from January to November 2015. Action had not been taken in respect of; adopting a recruiting procedure for recruiting the workers; issuing of formal letter of appointment regarding the service conditions and duties; and issuing of letter of assignment of duties. The approval of the Commissioner of Local Government had not been obtained to implement the project.

4. Systems and Controls

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

- a) Accountancy
- b) Budgetary Control
- c) Financial Control
- d) Assets Management
- e) Control Over Contracts