

**Dehiowita Pradeshiya Sabha**  
**Kegalle District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year under review had been presented to audit on 04 May 2017 and the financial statements for the preceding year had been presented on 01 April 2016. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 14 July 2017.

**1.2 Qualified Opinion**

In my opinion, except for the effects of the matters described in paragraphs 1.3 of this report, the financial statements give a true and fair view of the financial position of the Dehiowita Pradeshiya Sabha as at 31 December 2016 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Deficiencies**

The following matters were observed.

- (a) Even though, the receivable courts fines at the beginning of the year under review amounted Rs. 6,640,659, it had been brought to account as Rs. 7,697,925 and as such the revenue debtors and the balance of the Accumulated Fund account had been overstated by Rs. 1,057,266.
- (b) A sum of Rs. 128,170,707 received under 11 sources of funds during the year under review and a sum of Rs. 4,199,637 receivable had been accounted under capital grant deposits receipts and deposits payments. As such the capital grant and capital expenditure had been understated by Rs. 132,370,344 during the year under review and working debtors and creditors had been understated by Rs. 4,199,637 as at 31 December 2016.
- (c) The provisions for creditors of Rs. 100,100 for 1,001 units relating to the year 2015 and Rs. 62,900 for 629 units relating to 06 months in the year under review in respect of preparation of stamp fees schedules had not been made and as such creditors had been understated by Rs. 163,000 and the balance of the accumulated fund and the surplus of the year had been overstated by Rs. 100,100 and Rs. 62,900 respectively.
- (d) As the action had not been taken to rectify the excess provisions made for audit fees relating to the year 2015 amounting to Rs. 29,366 the creditors had been overstated by Rs. 29,366 and the balance of the accumulated fund had been understated by similar amount as at 31 December 2016.
- (e) The interest amount of Rs. 131,250 paid during the year under review in respect of the period from June to December 2015 for the loan obtained from Local Loans Development Fund to construct Public Trade Complex, Thalduwa had been accounted as

an expenditure for the year under review, the surplus had been understated by Rs. 131,250.

**1.3.2 Unreconciled Control Accounts**

The balances of 02 items of accounts aggregated Rs. 3,570,333 as per financial statements and the balances amounted to Rs. 1,439,518 as per subsidiary registers/reports indicating a difference of Rs. 2,130,814.

**1.3.3 Suspense Account**

Action had not been taken to settle the credit balance of Rs. 4,552 of the suspense Account existing since the year 2009.

**1.3.4 Accounts Receivable and Payable**

The following matters were observed.

- (a) Value Added Tax, Nation Building Tax and the Withholding tax collected for the years 2010/2011 aggregating Rs. 3,015,033 had not been remitted to the Commissioner General of Inland Revenue up to 31 May 2017.
- (b) The arrears of garbage tax, rent and fines of trade stalls in the market and fines of meat stalls and fish stalls totalling Rs.102,679 existing from the years 1989 and 1992 had been shown under receivable balance without taking action to recover.

**1.3.5 Non-compliance with Laws, Rules, Regulations and Management Decisions**

The following non-compliances with laws,rules, regulations and management decisions were observed in audit.

**Reference to Laws, Rules, Regulations and Management Decisions**

**Non-compliance**

- (a) Pradeshiya Sabha Act No. 15 of 1987

Section 158(1)

Action had not been taken in respect of arrears of rates amounting to Rs. 3,843,403 as at 31 December 2016.

- (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

- (i) F.R. 371(2)b

Eleven advances totalling Rs. 220,000 granted in 03 instances had not been settled even up to 31 December 2016.

- |       |   |   |
|-------|---|---|
| (ii)  | F.R. 396(d)   | Action had not been taken on 14 cheques totalling Rs. 182,825 issued but not presented for payment over 06 months.  |
| (iii) | F.R. 571  | Action had not been taken on 400 deposits totalling Rs. 5,873,944 in respect of the period from the year 2006 to 2014.  |
| (iv)  | F.R. 880 to 893   | Employees securities amounting to Rs. 29,000 had not been obtained from 07 officers who should give security.   |
| (v)   | F.R. 1646   | Even though, the Daily Running Charts and Monthly Performance Summaries should be furnished to the Auditor General before 15 day of the month following, the Daily Running Charts in respect of 12 vehicles of the Sabha for a period of 01 month to 12 months had not been furnished to audit. |
| (c)   | Establishments Code of the Democratic Socialist Republic of Sri Lanka<br>Chapter XXIV Section 1.6         | Action had not been taken to recover a loan balance amounting to Rs. 75,907 recoverable from 3 employees interdicted and transferred on station transfers employed in the Sabha.  |
| (d)   | Circular No. 01/2014 of the Chief Secretary of the Sabaragamuwa Provincial Council dated 26 January 2004  | Three field officers had not furnished the future programmes for 09 months and subsequent programmes for 11 months.   |
| (e)   | Circular No. 10/2010 of the Chief Secretary of the Sabaragamuwa Provincial Council dated 16 November 2010 | Any officer should not be recruited on the basis of casual, substitute, contract basis or relief basis without an approval of the Secretary of the Chief Ministry. Nevertheless, 2 employees had been recruited for 02 categories of posts without such approval.                               |

## 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 2016 amounted to Rs. 15,806,397 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs. 13,493,328 indicating an improvement of Rs. 2,313,069 in the financial results of the year under review.

### 2.2 Analytical Financial Review

The Increase in 06 items of revenue and the decrease in 03 items of expenditure had mainly attributed to the improvement in financial results by Rs. 2,313,069.

### 2.3 Revenue Administration

#### 2.3.1 Performance in Collection of Revenue

(a) The information relating to revenue billed, actual revenue and arrears of revenue furnished for the year under review appears below.

Source of Revenue	Arrears as at 01 January 2016	Recoveries out of the arrears as at 31 December 2016	Amount billed for 2016	Recoveries out of the amount billed for the year	Arrears as at 31 December 2016		
					Arrears as at 01 January 2016	Arrears out of the amount billed for the year	Total Arrears
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
(i) Rates and Taxes	6,391	1,877	3,552	2,198	4,514	1,354	5,868
(ii) Lease Rent	615	-	4,302	2,868	615	1,434	2,049
(iii) Licence Fees	115	16	683	683	99	-	99
(iv) Other Revenue	18,301	13,533	43,793	22,738	4,768	21,055	25,823
<b>Total</b>	<b>25,422</b>	<b>15,426</b>	<b>52,330</b>	<b>28,487</b>	<b>9,996</b>	<b>23,843</b>	<b>33,839</b>

#### 2.3.2 Rates and Taxes

Even though, the properties for rates and taxes should be assessed at least once in 05 years to recover rates, the rates had been recovered in the year under review on the basis of the assessment made in the year 2008.

### **2.3.3 Other Revenue**

The following matters were observed.

(a) **Environmental Protection Licences**

Six business institutions had not obtained environmental licences according to the Extra Ordinary Gazette Notification No. 1533/6 dated 25 January 2008 published under National Environmental Act No. 49 of 1980 as amended by the Acts No. 56 of 1988 and No.53 of 2000 and as such the Sabha had deprived of a revenue of Rs. 24,000.

(b) **Advertising Hoardings Fees**

By-laws had not been enacted to recover advertising hoarding fees and the fees had been recovered at the rate of Rs. 10 per square foot from a temporary advertising hoarding and at the rate of Rs. 50 from a permanent advertising hoarding.

(c) **Fees on Land Sales**

Even though, a sum of Rs. 877,455 had been recovered as 01 per cent on the assessment value relating to the selling of 05 lands blocks in the years 2015 and 2016, the fees equivalent to 01 per cent on the actual sales value of the land blocks had not been recovered.

(d) **Processing Fees for Telecommunication Transmission Towers**

The processing fees of Rs. 49,000 had not been recovered in terms of the Extra Ordinary Gazette Notification No. 1597/8 of the Democratic Socialist Republic of Sri Lanka dated 17 April 2009 from 02 telecommunication transmission towers constructed within the authoritative area of the Sabha.

(e) **Business Tax**

A survey had not been carried out in respect of business enterprises, professions and industries maintained within the authoritative of the Sabha, and a sum of Rs.24,000 had been deprived by the Sabha due to 08 business institutions had not paid business tax.

### **2.3.4 Court Fines and Stamp Fees**

The court fines revenue and stamp fees revenue receivable as at 31 December 2016 from the Chief Secretary of the Provincial Council and other authorities amounted to Rs. 13,095,634 and 10,200,000 respectively.

## **3. Operating Review**

### **3.1 Performance**

The details of the cemeteries belonging to the Sabha was not made available in the Sabha and action had not been taken to vesting the lands given to the Sabha as donations and transfers through legal deeds.

### **3.2 Management Inefficiencies**

The following matters were observed.

- (a) Vacancies of 12 employees in 06 categories of posts and excesses of 06 employees in 03 categories of posts had existed.
- (b) Only 08 drivers had been deployed for 15 motor vehicles performing in running and as such the vehicles of the Sabha had remained in a underutilization position.
- (c) Action had not been taken to transfer the ownership in the name of the Sabha in respect of 11 motor vehicles and 02 trailers utilizing by the Sabha.
- (d) The amount of Rs. 188,000 relating to the Duplo Machine purchased from the funds of the Sabha under Dehiowita Town Development Programme had not been reimbursed from the Ministry of Provincial Councils and Local Government due to lapses in the registers.
- (e) Even though, a sum of Rs. 882,900 had been paid to install CCTV Camera System in the Pradeshiya Sabha and in the Public Market Complex on 27 January 2016 under Dehiowita Town Development Plan, the lapses remained thereon had not been rectified even by January 2017.
- (f) A shortage of 14 units of 04 category of goods had been reported in the physical stock verification in respect of electrical equipment on 06 January 2017.

### **3.3 Operating Inefficiencies**

The following matters were observed.

- (a) In leasing of 14 trade stalls in the new trade complex of the Pradeshiya Sabha the agreements had not been entered into and the key money of Rs. 11,150,000 had not been recovered.
- (b) In leasing of trade stalls of the Public Market of the Sabha, action had not been taken to recover sums totalling Rs. 2,181,595 from 14 lease holders comprising Rs. 1,966,800 as rent of trade stalls and Rs. 214,795 as penalty recoverable.

### **3.4 Idle and Underutilized Assets**

Two cabs, a tractor and a pressure roller belonging to the Sabha had remained idle in the old Sabha premises from the years 2015, 2010 and 2014 respectively.

### **3.5 Solid Waste Management**

The following matters were observed.

- (a) Despite that, two garbage collecting centres had been maintained in the premises of the weekly fair and the Deegallawatha area, the daily garbage collection had been dumped close to the Pradeshiya Sabha Complex. As such, a cost of Rs. 2,792,400 had been incurred to remove such garbage due to the protest of the residents of the area had arisen.

- (b) A waste management project had been maintained in the Deegallowatha area from October 2016, and the waste such as plastic which could be recycled had been put into a pit.

**4. Accountability and Good Governance**

**4.1 Presentation of Financial Statements**

Financial Statements for the year under review had been presented to audit on 04 May 2017 and the financial statements for the preceding year had been presented to audit on 01 April 2016.

**4.2 Budgetary Control**

One hundred per cent of provisions made for 08 Objects totalling Rs. 2,517,000 and provisions totalling Rs. 3,015,319 equivalent to 68 per cent to 96 per cent of the provisions made for 04 Objects in the budget for the year under review had not been utilized.

**4.3 Internal Audit**

An adequate internal audit had not been carried out in respect of the finance and stores in terms of rule 5(7) of 1988 Pradeshiya Sabha (Finance and Administration) set of rules.

**5. Systems and Controls**

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

<b><u>System</u></b>	<b><u>Observation</u></b>
(a) Accounting	(i) Not updated Advance Register properly. (ii) Non-settling of the balance remained in the Suspense Account for a long period.
(b) Revenue Administration	(i) Property assessment for rates not carried out properly. (ii) Had not taken legal actions to recover arrears of revenue. (iii) Not conducted Annual Boards of Survey on businesses and industries.
(c) Budgetary Control	(i) Significant savings in estimated provisions (ii) Non – recovery of estimated revenue.
(d) Motor Vehicles Control	(i) Non – furnishing of Daily Running Charts. (ii) Not carried out fuel tests on the vehicles.