

Divulapitiya Pradeshiya Sabha

Gampaha District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented for audit on 02 April 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman on 26 October 2018.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements of the Divulapitiya Pradeshiya Sabha give a true and fair view of the financial position as at 31 December 2017 and its financial performance 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) The value of 03 office tables amounting to Rs.46,912 had not been brought to account.
- (b) The value of 29 land and buildings had not been assessed and capitalized.
- (c) The stock of general stores amounted to Rs. 23,219,605 as per accounts and it was Rs.119,765 as per stock verifications carried out as at 31 December 2017. This difference had not been adjusted in the accounts.
- (d) The amount spent on purchasing gas for the crematorium during the year under review amounted to Rs. 415,520. But, the amount brought to account was Rs. 271,780. As such, the expenditure had been understated by Rs. 143,740.

1.3.2 Unreconciled Accounts

It was observed that the balances of 06 items of advance accounts as per financial statements and the balances appearing in the subsidiary registers differed by Rs.5,317,431.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

- (i) The balances of advances unsettled even by 04 May 2018 amounted to Rs.7,618,369. This included Rs.10,000 of 1 to 3 years, Rs.124,433 of 3 to 5 years and Rs.7,483,936 over 5 years.
- (ii) According to the schedules furnished as at 31December 2017, the balances of revenue debtors were, Rs.66,406,583 of 1 to 03 years, Rs.2,987,630 of 3 to 5 years and Rs.34,243,995 over 05 years.

(b) Accounts Payable

- (i) According to the schedules furnished as at 31 December 2017, the balances of creditors were, Rs.85,281,255 of 1 to 3 years and Rs.103,099,467 over 3 years.
- (ii) The balance of the deposit account as at 31 December 2017 amounting to Rs.15,318,744 included Rs. 11,354,596 over 02 years.

1.3.4 Lack of Necessary Documentary Evidence for Audit

Non rendition of Information for Audit

- (a) Three items of accounts aggregating Rs.2,818,931 could not be satisfactorily vouched in audit due to non rendition of necessary information.
- (b) The invoice of office equipment purchased for Rs.3,457,350 for the new office building had not been furnished to audit and as such the correctness of prices, sizes and value of them could not be examined.

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

Instances of non compliance with laws, rules, regulations and management decisions appear below.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance
-----	-----	-----
(a) 1988 Pradeshiya Sabha (Finance and Administration) Rule 19	Rs. -	All books with counter foils should be in the custody of the Secretary of the Sabha and he is personally responsible for the safety and proper

use of them. However, the books with counterfoils belonging to the Sabha were in the custody of the stores officer.

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

(i)	F.R. 371	39,127	Advances over 03 years had not been settled.
(ii)	F.R. 571	11,354,596	Action had not been taken regarding general deposits over 02 years.

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 2017 amounted to Rs.30,618,984 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.25,990,232.

2.2 Financial Control

Action had not been taken in terms of Financial Regulations 396 with regard to 06 cheques valued at Rs.28,556 which had lapsed 06 months from the dates of their issues, as appearing in the bank reconciliation statement prepared as at 31 December 2017.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2017				2016			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	11,812,000	13,070,056	11,724,881	1,345,175	11,190,500	11,805,691	9,408,225	2,397,465
Rent	5,694,000	6,023,013	2,911,489	3,111,524	7,705,000	6,673,185	3,278,058	3,395,126
Licence Fees	1,100,000	1,949,108	1,916,438	32,670	775,000	1,114,370	1,081,700	32,670
Other Revenue	6,879,000	10,332,870	10,332,870	-	6,318,000	7,906,199	7,906,199	-
Total	25,485,000	31,375,048	26,885,679	4,489,369	25,988,500	27,499,447	21,674,184	5,825,262

2.3.2 Performance in Collection of Revenue

About 98 percent of the amount billed during 2017 had been collected during the year. But, the recovery of arrears of revenue of previous years was at a low level. Details appear below.

Source of Revenue	Total arrears as at 31 December 2017	Arrears of 2017	Arrears of previous years
-----	-----	-----	-----
	Rs.	Rs.	Rs.
Rates and Taxes	1,101,394	343,789	757,605
Rent	3,111,523	42,738	3,068,785
	-----	-----	-----
Total	4,212,917	386,527	3,826,390
	=====	=====	=====

2.3.3 Rates and Taxes

The balance of arrears of rates as at 31 December 2017 amounting to Rs. 871,878 included arrears at Rs.160,654 of 5-10 years and Rs. 270,600 over 10 years. The follow up action taken to recover these arrears was weak.

2.3.4 Rent

(a) Lease Rent

The balance of arrears of lease rent over 10 years amounted to Rs.2,803,705. Of this, Rs.1,718,012 related to wrong bills prepared for the meat stalls and fish stalls of the Kehelella sub office. Approval had been sought from the Department of Local Government on 06 October 2017 to write off this arrears. But, approval had not been granted yet. Further, out of the bills of Rs.674,594 prepared by the Divulapitiya sub office, arrears for the period 1999 to 2013 too had been included.

(b) Stall Rent

-
- (i) The total balances of arrears of Rs.176,697 of the Divulapitiya sub office included arrears of Rs. 90,554 of 07 stalls for the period 1999 to 2006. Approval of the Commissioner of Local Government had been sought on 06 October 2017 to write off this balance.
 - (ii) The arrears due from 14 Thuru Sevana stalls since 2008 amounted to Rs.86,143. This property had been vested by the Divisional Secretariat.

3. Operating Review

3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act. such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

(a) Bye - laws

Bye - laws were needed to execute 30 main functions under Section 126 of the Pradeshiya Sabha Act. But, bye-laws had only been enacted for 09 functions even by 31 December 2017.

(b) Action Plan

The Sabha had to fulfil 09 functions according to the bye-laws enacted for which an annual action plan had not been prepared.

(c) Solid Waste Material Management

Recurrent expenditure amounting to Rs.4,066,667 and capital expenditure of Rs.6,933,319 had been incurred on compost sector on behalf of solid waste material management in 2017. The compost produced during the year was 44,118 kilograms and the total revenue earned amounted to Rs. 527,262.

(d) Sustainable Development Target

The Pradeshiya Sabha was unaware of the 2030 Agenda regarding sustainable development target. As such, the long term plan for upliftment of the living standards and health of the public of the Pradeshiya Sabha area through the global indicators for those objectives had not been prepared even by 19 June 2018.

3.2 Management Inefficiencies

(a) Stores Register

Proper entries had not been made in the stock books for receipts and issues of stores goods.

(b) Expenditure on gas for Crematorium

Forty five gas cylinders had been used to cremate 275 corpses of the Marandagahamula Crematorium in 2017 while 60 gas cylinders had been used to cremate 104 corpses at the Kotadeniyawa Crematorium. The management had not supervised this abnormal difference and to take suitable action.

3.3 Human Resources Management

(a) Vacancies and Excesses in the Cadre

Grade -----	Approved Cadre -----	Actual Cadre -----	Vacancies -----	Excess -----
Executives	03	03	-	-
Tertiary	40	34	06	-
Primary	160	162	07	09
	-----	-----	-----	-----
	203	199	13	09
	=====	=====	=====	=====

The post of one field work supervisor, 02 management assistants and 03 revenue inspectors remained vacant since 2017.

(b) Employees' Loans

Employees' loans in arrears for a long time consisted of Rs.22,229 from 02 officers gone on transfer in 1994, Rs.12,954 over 25 years from one officer who had vacated the post, Rs.34,760 from 04 officers who had vacated posts 03 years ago and Rs.15,940 from a retired officer over 02 years. The Sabha had not taken any action whatsoever, up to now to recover these long outstanding loans.

3.4 Operating Inefficiencies

(a) Environmental Licences

The number of business centres which should obtain environmental licences had been identified as 215. But, 144 business centres only had obtained environmental licences. The number of business which should obtain environmental licences were 529, as per register of business licences.

(b) Applications for Buildings

The number of applications for buildings received at the Divulapitiya and Kehelaella Sub offices as at 31 December 2017 were 305. Of those, approval had been granted for 242 applications only.

(c) Tax on Sale of Land

One percent of the sales value of land sold in blocks within the area of the Sabha should be recovered as tax. An initial advance had been recovered on the basis of details of prices furnished by the seller. But, the actual tax had not been recovered on the actual sales values.

(d) Public Complaints

- (i) Fifty out of 105 public complaints received by the Sabha during 2017 and 31 out of the entire complaints received in 2016 had not been resolved yet.
- (ii) The right side of the trade centre of No.03 building of the Divulapitiya week end fair had not been given on rent. The building had not been constructed to enable the consumers to enter the building easily and the latrine around the area always overflows and as such it was revealed that the traders had refused to hire them on rent.

3.5 Assets Management

3.5.1 Idle Assets

A hand tractor of the Pradeshiya Sabha remained idle since 2002.No action, whatsoever, had been taken regarding this matter even by 19 June 2018.

3.5.2 Annual Board of Survey

No action. whatsoever, had been taken regarding 216 misplaced books, the values of which had not been mentioned as detected at the board of survey of library books of 2017.

3.6 Procurement

Contract Administration

Action had not been taken in terms of paragraph 3.1 of the State Accounts Circular of 05 January 2012 while entrusting contracts to community based organizations on direct basis.

4. **Systems and Controls**

Deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of control.

System	Deficiency
-----	-----
(a) Revenue Administration	(i) Non assessment of rent of stalls. (ii) Non-recovery arrears of revenue. (iii) Non revision of rates and taxes.
(b) Budgetary Control	(i) Budget not practically applicable (ii) Variances between the budgeted and actual revenue and expenditure.
(c) Assets Management	Lack of proper maintenance of register of inventories.
(d) Solid Waste Management	(i) Non recovery of garbage tax. (ii) Lack of suitable land for disposal of garbage.