

**Dickwella Pradeshiya Sabha
Matara District**

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to audit on 23 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman of the Sabha on 31 August 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 Dickwella 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 capital aid of Rs. 1,022,982 received in 2016 on behalf of 2015 and the arrears of reimbursement of salaries amounting to Rs.1,379,276 had been adjusted in the year's surplus. However, this amount had been deleted from the Accumulated Fund.
- (b) The total value of constructions done from the funds of the Sabha and under various provisions during the previous year had been understated in the accounts by Rs.4,254,494.
- (c) The capital expenditure spent on the excavator of the Sabha during the previous year had understated in the accounts by Rs.207,300.
- (d) The Seethagalla Sea Tank worth Rs.15,995,151 vested with the Pradeshiya Sabha and the water bowser worth Rs.535,000 received as donation had not been capitalized.
- (e) Fixed assets totalling Rs.2,459,224 relating to the constructions completed with the funds of the Sabha and various provisions during the year under review and the fixed assets purchased at a total cost of Rs.153,565 had not been capitalized.
- (f) The employees' security deposits totalling Rs.95,967 had not been brought to account.

- (g) The loan of Rs.4,930,120 obtained from the Local Loans and Development Fund had been understated in the balance sheet. The balance had not been separately disclosed as current and non-current liabilities.
- (h) Provision for creditors had been made for 13 work in the previous year's financial statements for which a provision of Rs.14,638,081 had been made at end of the year under review too.
- (i) Provision for debtors had been made for 11 work in the previous year's financial statements for which a provision of Rs.15,663,566 had been made at end of the year under review too.
- (j) Provision for creditors and the provision for debtors for 03 work completed during the previous year had been overstated by Rs.1,661,202 and Rs.2,986,853 respectively.
- (k) Penalties for arrears of rates and taxes amounting to Rs.131,397 recovered during the year under review had not been brought to account.
- (l) The hire charges due on behalf of a tipper of the Sabha amounting to Rs.56,810 had not been brought to account.
- (m) Provision for creditors had not been made for contributions of Rs.2,345,097 payable to the Local Government Pensions Fund.
- (n) Provision for creditors had not been made for audit fees payable for the year under review.
- (o) Provision for work debtors and creditors relating to expenditure on road development work had been overstated by Rs.69,181.
- (p) Adjustments had been made to the Accumulated Fund without identifying the difference of Rs.569,149 between the balances of Loan Account and the Financial Statements as at end of the year.

1.3.2 Unreconciled Accounts

The total of balances of 07 items of accounts as per financial statements aggregated Rs.397,207,953. The difference between these and the balances appearing as per subsidiary registers/schedules aggregated Rs.261,374,970.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

Debtors' balances of Rs.27,328,904 over 03 years had been included in the sundry debtors of Rs.56,028,742 as at end of the year under review.

(b) Accounts Payable

The following matters were observed.

- (i) Balances of over 03 years totalling Rs.113,831,161 had been included in the work creditors' balance of Rs.142,687,232 as at end of the year under review.
- (ii) Action had not been taken even during the year under review with regard to the Specific Tax Deposits of Rs.53,194.

1.3.4 Lack of Necessary Documentary Evidence for Audit

Seven items of accounts aggregating Rs. 559,723,679 could not be satisfactorily vouched in audit due to non -rendition of necessary information.

1.3.5 Non-compliance

1.3.5.1 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	Non - compliance
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(a) 1988 Pradeshiya Sabha (Finance and Administration) Rules	
(i) Rule 143	The total monthly balances of the refundable tender deposits ledger had not been adjusted with the main ledger account.
(ii) Rule 164	The accounting documents of the Sabha should be daily examined by the Secretary or by an officer

authorized by him and should be initialled and confirmed accordingly. However, action had not been taken accordingly.

- (b) State Finance Circular No.2/2015 of 10 July 2015. Action had not been taken regarding 03 vehicles valued at Rs.2,350,000 which had been set aside without being used.
- (c) Letter of Instructions No.05/01/119/ඒix of 26 February 1992 issued by the Urban Development Authority Work should be performed for 02 hours in addition to the duty hours for payment of allowances for planning committees. However, a sum of Rs.288,000 had been paid as at 31 December 2017, contravening the instructions.
- (d) Letter of instructions No දළඝ/සං/01/01/53 of 31 December 2016 of the Commissioner of Local Government, Southern Province 13 work worth Rs.8,723,757 had been executed by engaging other contractors contravening the circular instructions.

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.22,632,502 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.21,068,210.

2.2 Revenue Administration

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

The 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 Rs.	Revenue Billed Rs.	Revenue Collected Rs.	Total arrears as at 31 December Rs.	Estimated Revenue Rs.	Revenue Billed Rs.	Revenue Collected Rs.	Total arrears as at 31 December Rs.
Rates and Taxes	3,697,123	5,805,656	5,966,523	2,498,500	4,404,905	4,455,407	3,445,618	2,659,367
Rent	4,996,100	4,688,694	4,566,433	1,783,182	5,457,700	4,860,777	4,638,330	1,660,921
Licence Fees	1,136,000	1,292,591	1,292,591	-	857,500	1,204,829	1,204,829	-
Other Revenue	31,414,735	33,870,641	11,245,403	69,254,288	19,857,343	29,114,283	15,279,491	46,629,050
Total	41,243,958	45,657,582	23,070,950	73,535,970	30,577,448	39,635,296	24,568,268	50,949,338

2.2.2 Performance in Collection of Revenue

The total estimated revenue of the year under review amounted to Rs.41,243,958 and the amount billed was Rs.45,657,582. The total arrears at the commencement amounted to Rs.50,949,338 along with which the total amount receivable amounted to Rs.96,606,920. However, the total revenue collected during the year amounted to Rs.23,070,950 resulting in a total arrears of Rs.73,535,970 as at end of the year.

2.2.3 Rates and Taxes

The following matters were observed.

(a) Rates and Taxes

The opening arrears of Rs.2,894,613 added to the billings of the year had resulted in recoverables amounting to Rs.6,343,847. The balance of arrears amounted to Rs.2,632,926 as at end of the year as the total recoveries amounted to Rs.3,582,335.

(b) Acreage tax

The opening arrears of Rs.51,348 added to the billings of the year had resulted in an arrears of Rs.53,942 at end of the year after the total recoveries of Rs.4,308.

2.2.4 Rent

The opening arrears of Rs.1,658,921 added to the billings of Rs.2,385,302 had resulted in recoverables amounting to Rs.4,044,223. The arrears as at end of the year amounted to Rs.1,472,787 as the total recoveries amounted to Rs.2,571,436.

2.2.5 Licence Fees

The Sabha had not recovered trade licence fees of Rs.43,000 recoverable from 11 business centres during the period 2011 to 2017.

2.2.6 Court Fines and Stamp Fees

Court fines of Rs.1,948,198 and stamp fees of Rs.67,306,090 were due from the Chief Secretary of the Provincial Council and other authorities as at end of the year under review.

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) Solid Waste Material Management

An expenditure of Rs.11,686,778 had been incurred on Solid waste Material Management during the year under review. 514,434 kilogrammes of garbage had been collected during the year and the revenue derived from collection of garbage amounted to Rs.1,123,600. Degradable garbage had been used at the bio – gas unit for recycling and the non degradable garbage had been disposed of, in a private land for which an environmental licence had not been obtained. The bio – gas unit had become defective.

(b) Environmental Problems

Sixty six business establishments which should have obtained licences in terms of the Gazette Notification No.1533/16 of 25 January 2008 according to the National Environmental Act No.47 of 1980 had not obtained them. As a result, the Sabha had been deprived of a revenue of Rs.290,400. Further, the Sabha had not paid attention relating to the environmental effect caused due to this.

(c) Sustainable Development Target

The Sabha had not identified the sustainable development objectives and targets to uplift the living standards on behalf of the public within the authoritative area of the Sabha through the global indicators of sustainable development objectives and targets as per 2030 agenda of sustainable development. Indicators had not been identified to measure the sustainable development objectives and targets. In order to achieve the sustainable development target the present method adopted for resource management and the method for training staff and risks such as unable to continuously obtain necessary resources and capacity etc. had not been identified.

3.2 Management Inefficiencies

Action had not been taken even by 31 December 2017 to recover the sum of Rs.56,810 due on hire of a tipper for the Matara Kataragama Railway Track Project during the previous year.

3.3 Human Resources Management

(a) Vacancies and Excesses of Employees

The following matters were observed in this connection.

- (i) Sixteen employees had been recruited in excess of the approved cadre while there were 02 vacancies.

- (ii) Fifteen employees had been recruited contravening the Manangement Services circular No.3/2014 of 31 March 2014 of the Secretary to the Treasury to whom Rs.6,400,866 had been paid as salaries from 2014 from the funds of the Sabha The amount paid in 2017 alone amounted to Rs.3,058,834.

(b) Employees' Loans

According to the Register of Employees' Loans of the Sabha, action had not been taken to recover arrears of loans of Rs.381,136 due from employees who had neglected to pay their instalments even by end of the year under review.

3.4 Management Inefficiencies

- (a) A sum of Rs.607,893 had been spent on maintaining over 3000 street lamps during the year under review. The approved number of street lamps were 308. As a result of using street lamps in excess of the limit, a sum of Rs.523,813 had to be spend for maintenance from the funds of the Sabha.
- (b) Two roods and 0.32 perches of land had been given less to the Sabha while auctioning the land named Karandagoda Keenagahena Kirimetiawaththa. A physical verification carried out revealed that it was unable to identify the portion of land due to the Sabha.

3.5 Assets Management

3.5.1 Idle / Under utilized Assets

The following matters were observed.

- (a) A lorry of the Sabha worth Rs.2,000,000 was inoperative since 16 September 2014 while a trailer worth Rs.350,000 and another motor cycle, the value of which had not been mentioned were inoperative since 09 December 2016.
- (b) The becko machine purchased on 30 November 2011 had only been used for 147.5 machine hours by 31 December 2017 for usage of the Sabha and for purposes of hire. A revenue of Rs.166,860 had been earned during the year under review. Bu, the amount spent on repairs and fuel amounted to Rs.1,580,983.

3.6 Contract Administration

Eight work proposed as per budget of the year under review for Rs.4,000,000 had not been executed while action had been taken to execute 11 work for Rs.12,967,091 under various provisions for which no provision had been made in the budget.

4. Accountability and Good Governance

4.1 Budgetary Control

Significant variances were observed between the budgeted and actual revenue and expenditure of the year under review as shown below. It was thus observed that the budget had not been utilized as an efficient instrument of management control.

- (a) Savings in 06 items of expenditure totalling Rs.20,671,431 ranging from 18 to 57 per cent were observed.

- (b) Adverse variances in 02 other item of expenditure totalling Rs.1,029,160 were observed which ranged from 03 per cent to 1913 per cent.
- (c) Adverse variances in 03 items of revenue totalling Rs.2,982,075 ranged from 06 per cent to 19 per cent.

4.2 Internal Audit

Adequate internal audit had not been carried out in terms of Financial Regulations 133 and 134 of the Republic of Sri Lanka and the circular No.දපසා/යභ/01/න.ව.ලේ of 24 February 2014 of the Southern Commissioner of Local Government. The internal audit programme had not been prepared in consultation with the Auditor General in terms of Financial Regulation 134. Meanwhile, copies of internal audit reports had not been furnished to audit.

4.3 Unresolved Audit Observations and Unreplied Audit Queries

Action had not been taken with regard to the following audit queries up to 31 December 2017.

- (a) Out of the sum of Rs.2,566,550 obtained from 2012 to 2016 for collection of garbage a sum of Rs.861,434 had been paid as commission to sanitary employees of the Sabha.
- (b) Action had not been taken to come to a settlement regarding the case pertaining to the construction of crematorium belonging to the Sabha. As a result, a sum of Rs.427,500 had been paid as legal charges from the funds of the Sabha continuously from 2010 to 2016.
- (c) Tax had not been recovered from 07 hotels registered with Sri Lanka Tourism Development Authority in terms of Section 149 of the Pradeshiya Sabha Act No.15 of 1987. As a result, the Sabha had been deprived of a revenue of Rs.1,535,860 from 03 hotels itself.
- (d) The expenditure of Rs.1,010,712 incurred on constructing a bio – gas unit in the fair premises of the Sabha had become fruitless.

5. 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.

- (a) Fixed assets
- (b) Collection of revenue
- (c) Budgetary control
- (d) Accounting