

## **Dehiowita Pradeshiya Sabha**

### **Kegalle District**

#### **1. Financial Statements**

##### **1.1 Presentation of Financial Statements**

The financial statements for the year 2017 had been presented to audit on 23 May 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman on 31 July 2018.

##### **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 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting.

##### **1.3 Comments on Financial Statements**

###### **1.3.1 Accounting Deficiencies**

The following matters were observed.

- (a) The lease rent revenue receivable as at 31 December 2017 amounting to Rs.261,450 had not been brought to account.
- (b) Even though, the working creditors as at 31 December 2017 had been shown as Rs.378,106, the actual amount had been Rs.297,935 and as such the working creditors had been overstated by Rs.80,171.
- (c) Action had not been taken to eliminate the value of the goods removed from the Boards of Survey of the year 2016 amounting to Rs.148,950 from the accounts and as such machinery and equipment account and the revenue contribution to capital outlay account had been overstated by similar amount.
- (d) Even though, the receivable court fines as at 31 December 2017 amounted to Rs.15,082,822, it was brought to account as Rs.9,958,326 and as such the receivable court fines had been understated by Rs.5,124,496.
- (e) The discounts received in purchasing of library books in 2 instances amounting to Rs,61,715 had been under stated in the accounts of discounts received, expenditure library books and revenue contribution to capital outlay account.
- (f) Three motor vehicles valued Rs.13,515,000 had not been brought to account and as such motor vehicles and cart account and revenue contribution to capital outlay account had been understated by similar amount.
- (g) Three journal entries relating to the year under review had not been brought to account as such the creditors had been overstated by Rs.242,488 and the accumulated fund had been understated by similar amount.
- (h) Twelve inventory items valued at Rs.3,141,410 existed as per the inventory register had not been brought to account under machinery and equipment account and the revenue contribution to capital outlay account.

- (i) The value of 04 items of machinery and equipment had not been computed and brought to account and as such machinery and equipment account and the revenue contribution to capital outlay account had been understated.
- (j) A sum of Rs.23,369,929 received under 09 sources of funds during the year under review and receivables of Rs.61,440,413 had been brought to account under capital grants, receipts of deposits and payments of deposits. As such the capital expenditure had been understated by Rs.84,810,342 and working debtors and creditors as at 31 December 2017 had been understated by Rs.61,440,413.

### **1.3.2 Unreconciled Accounts**

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The balances of 05 items of accounts aggregated Rs.12,831,098 as per financial statements and the balances as per subsidiary registers/ reports totalled Rs.9,589,280 thus a difference of Rs.3,241,818 was observed.

### **1.3.3 Suspense Account**

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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**

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#### **(a) Accounts Receivable**

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The value of the balances of the accounts receivable older than 01 year as at the end of the year under review totalled Rs.15,634,657.

#### **(b) Accounts Payable**

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The Value Added Tax, Nation Building Tax and the Withholding Tax collected in the years 2010/2011 aggregating Rs.3,015,033 had been shown in the accounts payable without being remitted to the Commissioner General of Inland Revenue even by 31 December 2017.

## **1.4 Non-compliances**

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

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The instances of non-compliance with laws, rules, regulations and management decisions are given below.

<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Value</b>	<b>Non-compliance</b>
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	Rs.	
(a) Pradeshiya Sabha Act No.15 of 1987 Section 158 and 159	2,347,087	Action had not been taken to recover arrears of rates and taxes as at 31 December 2017.
(b) Sections 67 and 68 of the Urban Development Authority Act No.41 of 1978 and Extra-ordinary Gazette No.1597/8 dated 17 April 2009.		The Certificate of conformity should be obtained before utilize the every building constructed, but if utilize the building without, the certificate a fee should be charged at the rate of Rs.50 per day. Nevertheless, the issuing of certificate of conformity relating to the buildings applications registered in the Sabha had ranged from 10 per cent to 18 per cent.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.		
(i) Financial Regulation 371(2)(b)	112,250	Advances granted in 03 instances had not been settled even by 31 December 2017.
(ii) Financial Regulation 396(d)	29,865	Action had not been taken on 08 cheques issued but not presented for payment and elapsed 06 months.
(iii) Financial Regulation 571	2,150,567	Action had not been taken on deposits in respect of the period from the year 2012 to 2015.
(iv) Financial Regulation 880 to 893	29,000	Officers who should furnish security had not furnished employees securities.
(d) Establishments Code of the Democratic Socialist Republic of Sri Lanka. Chapter XXIV Section 1.6	74,626	Action had not been taken to recover a loan balance recoverable from 2 employees transferred on station transfers.

(e) Public Administration Circular No.30/2016 dated 29 December 2016.

Fuel consumptions of 03 motor vehicles had not been tested.

## 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.9,295,006 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.15,806,397.

### 2.2 Revenue Administration

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

The information with regard to estimated revenue, billed revenue, collected revenue and the arrears of revenue furnished for the year under review and for the preceding year appears below.

Source of Revenue	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	3,230,700	3,295,460	4,629,781	4,468,378	3,540,000	3,734,280	4,351,140	5,867,568
(ii) Lease Rent	8,186,792	5,761,318	5,942,348	1,491,615	6,569,200	5,506,040	4,562,103	2,049,018
(iii) Licence Fees	800,000	669,600	672,350	96,518	800,000	671,210	686,850	99,268
(iv) Other Revenue	53,602,300	45,487,931	40,228,387	33,967,108	58,722,000	41,357,202	33,938,899	25,822,873

#### 2.2.2 Performance in Collection of Revenue

A comparison of the estimated revenue of the year under review with the revenue collected showed an increase in revenue collected with regard to the revenue item of rates and taxes by 43 per cent and the revenue collected from the revenue items such as lease rent, licence fees and other revenue had decreased by 27, 16 and 25 per cent respectively as compared with the estimated revenue.

#### 2.2.3 Rates and Taxes

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

#### 2.2.4 Lease Rent

Out of 26 trade stalls in the Dehiowita new trading complex 08 trade stalls only had been opened and 18 trade stalls had remained closed due to the lapses in the constructions. As

such, a revenue receivable to the Sabha in the year under review amounting to Rs.2,171,540 had been deprived. Even though, 03 premises with an extent of 319.5 square metres had been allocated to maintain banks in the first floor of above premises had not been taken on rent by the banks as the lavatory facilities were not made available. As such key money amounting to Rs.12,000,000 and a lease rent amounting to Rs.305,000 had been deprived by the Sabha.

#### **2.2.5 Licence Fees**

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The following matters were observed.

- (a) One per cent of licence fees had not been recovered from an approved hotel of the Tourist Board from the year 2009 to 31 December 2017.
- (b) A survey in respect of the institutions which should be paid business tax for the year 2017 had not been carried out and had not been confirmed the business tax had been paid.
- (c) Business tax amounting to Rs.81,000 had not been recovered from 27 enterprises who had obtained environmental licences and a revenue amounting to Rs.48,000 had been deprived due to the licences had not been obtained by 12 institutions who should obtain the environment protection licences.

#### **2.2.6 Other Revenue**

##### **(a) Advertisement Hoarding Charges**

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By-laws had not been imposed to recover advertisement hoarding charges. The charges of Rs.76,560 had been recovered at the rate of Rs.10 per square foot for a temporary advertisement hoarding and at the rate of Rs.50 per square foot for a permanent advertisement hoarding.

##### **(b) Leasing of Vibrating Roller Machine**

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The Vibrating Roller Machine belonging to the Sabha had been given to a private contractual company on lease basis from 22 September 2016 up to 25 August 2017 without any agreement and this machine had remained idle and parked insecurely in a road for which the development activities had been stopped. Subsequently, this machine had been taken back and services had been done from Sabha expenses and it was given on lease again. But, a sum of Rs.261,450 had not been recovered as rent for the respective period. The running particulars had not been furnished to ensure the lease rent amounting to Rs.521,450 and the amount spent for the fuel utilized amounting to Rs.142,500 relating to the period from September 2016 up to August 2017.

#### **2.2.7 Court Fines and Stamp Fees**

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The court fines and stamp fees receivable as at 31 December 2017 from the Chief Secretary of the Provincial Council and other authorities amounted to Rs.9,958,326 and Rs.20,900,000 respectively.

### **3. Operating Review**

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#### **3.1 Performance**

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The matters revealed in respect of the activities that should be carried out by the Sabha such as regularize and control over the matters on public health, public utility services and public roads and comfort, facilities and wellbeing of the people under Section 3 of the Pradeshiya Sabha Act are given below.

##### **(a) By-laws**

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The following matters were observed.

- (i) Even though, the by-laws should be imposed to execute 22 major activities under Section 126 of the Pradeshiya Sabha Act, by-laws had been imposed only for 04 activities by 31 December 2017 and action had been taken according to the by-laws imposed by the subject Minister of the Local Government of the Central Government relating to 15 activities.
- (ii) Even though, the by-laws had been imposed in respect of the motor vehicle parking in the roads of the Dehiowita Pradeshiya Sabha and regularize official vehicles handling, supervision and control, action had not been taken according to that by-laws. No parking fees for motor vehicles had been charged during the year under review.

##### **(b) Solid Waste Management**

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The following matters were observed.

- (i) The overall expenditure amounting to Rs.26,381,708 had been incurred by the Sabha for the constructions of Solid Waste Management Centre, Digalawatta by the year 2017. The Sabha had won the second place in Sabaragamuwa Province and First place from the Kegalle District in the competition of evaluation of Solid Waste Management Centres. As the waste which could not be recycled is a problem to the Sabha, the waste had been buried in the Waste Management Centre as a temporary solution.
- (ii) The waste collection had not been carried out in 05 divisions to cover 2,101 assessment units belonging to the Dehiowita Pradeshiya Sabha and public complaints and resistance had arisen thereon.

##### **(c) Sustainable Development Goals**

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As the Sabha had not aware in respect of the 2030 Agenda of Sustainable Development Goals, the long term plans to upgrade the livelihood and the health of the people of the authoritative area of the Sabha through global indicators for that objectives had not been prepared even by May 2018.

### 3.2 Operating Inefficiencies

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#### (a) Approval of Building Applications

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The following matters were observed.

- (i) Even though, 802 buildings applications for new constructions had been furnished during the period from the year 2007 to 2016, only 106 certificates of conformity had been issued for said period. As such the issuance of certificates of conformity had remained in a low position of 18 per cent.
- (ii) Even though, the certificate of conformity for new constructions should be issued and new assessment should be carried out and recovered rates and taxes, the rates and taxes for 06 properties for which already issued certificate of conformity in the years 2016 and 2017 had been recovered on the old nature of the property.

#### (b) Dividing land blocks and Sale

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One per cent of taxes had been recovered on the estimated value from 06 lands blocks for which approval had been given to divide into allotments and sale of the lands in the years 2013, 2015 and 2016. Nevertheless, action had not been taken to recover tax on sales value of the land blocks.

### 3.3 Assets Management

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#### (a) Assets not vested

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The following matters were observed.

- (i) Even though, the information of 13 cemeteries was revealed as per the details of cemeteries belonging to the Sabha, action had not been taken for follow-up actions and for necessary vesting of 05 cemeteries.
- (ii) Action had not been taken for vesting of ownership of 11 motor vehicles of Sabaragamuwa Provincial Council and 02 motor vehicles of Ministry of Local Government.

#### (b) Failure to obtain Revenue from Assets

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Action had not been taken for leasing out the crop relating to 09 cemeteries.

#### (c) Assets not Documented

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The general information of the cemeteries such as land extent, details of crops, details of trees, path ways and buildings had not been collected and updated in the files.

#### (d) Idle and Underutilized Assets

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One motor vehicle belonging to the Sabha had remained idle from July 2011 and 11 motor vehicles had not been utilized for running during the year 2017. Three motor

vehicles out of that had referred for repairs in the years 2016 and 2017 but the repairs had not been completed even by 31 May 2018.

### **3.4 Procurement Plan**

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A Procurement Plan for the year under review had not been prepared by the Sabha.

### **3.5 Contract Administration**

#### **(a) Renovation of Algoda Road dilapidated from floods**

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- (i) According to the measurement sheet the payments had been made for concreting the road for which considered the thickness as 05 inches, but at the physical examination it was observed that thickness had remained between 3 ½ and 4 inches. A sum of Rs.309,327 had been over paid for 7.37 cubes of concrete due to concreting the road by less of one inch of the thickness.
  - (ii) The measurements had been considered as 03 inches of ABC thickness of the road as per measurement sheet and payments had been made but at the physical examination it was observed that the ABC had not been deployed. As such sum of Rs.214,412 had been over paid for 22.12 cubes despite that ABC had not been deployed.

#### **(b) Kahanvaita Mahinkanda Road**

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- (i) The measurement had been considered as 05 inches of thickness for concreting of the road and payments had been made as per measurement sheet. At the physical examination it was observed that thickness of the concrete had remained between 3 ½ inches and 4 1/2 inches. A sum of Rs.398,243 had been over paid for 8.38 cubes due to concrete had been laid less by 1/2 inches of the thickness in the road.
  - (ii) The measurement had been considered as 04 inches of ABC thickness in the road and the payments had been made as per the measurement sheet. It was observed that Rs.719,873 had been over paid for 63.9 cubes despite that the ABC had not been laid.
  - (iii) The Sabaragamuwa Provincial Development Construction and Machinery Authority who was the agreed contractor had given sub contracts, contrary to the agreements.



#### 4. Accountability and Good Governance

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##### 4.1 Presentation of Financial Statements

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Financial Statements for the year under review had been presented to audit on 23 May 2017 and the financial statements for the preceding year had been presented to audit on 01 April 2016.

##### 4.2 Budgetary Control

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Provisions aggregating Rs.3,015,319 comprising 100 per cent of provisions made for 08 Objects totalling Rs.2,517,000 and 68 per cent to 96 per cent of the provisions made for 04 Objects totalling Rs.498,319 in the budget for the year under review had not been utilized.

#### 5. Systems and Controls

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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.

<b>System</b>	<b>Deficiency</b>
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(a) Accounting	(i) Failure to update Advance Register properly. (ii) Failure to settle the balance remained in the Suspense Account for a long period.
(b) Revenue Administration	(i) Property assessment for rates not carried out properly. (ii) Failure to take 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) Failure to furnish Daily Running Charts (ii) Not carried out fuel tests on the motor vehicles