

**Dehiattakandiya Pradeshiya Sabha**  
**Ampara District**

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**1. Financial Statements**

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**1.1 Presentation of Financial Statements**

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Financial Statements for the year 2018 had been submitted to audit on 25 March 2019 and the summarized and detailed Auditor General's Reports relating to that were sent to the Chairman on 31 May 2019.

**1.2 Qualified Opinion**

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In my opinion, except for the effect of the matters described in paragraph of basis for qualified opinion, financial statements give a true and fair view of the financial position of the Dehiattakandiya Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with the Generally Accepted Accounting Principles.

**1.3 Basis for Qualified Opinion**

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**(a) Accounting Deficiencies**

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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i. Four assets items amounting to Rs. 44,128,797 had not been capitalized.	Accounts should be prepared correctly.	Action will be taken to correct.
Creditors provision of Rs.2,000,000 had been made for the payable of 02 construction industries amounting to Rs.1,672,165 during the year under review.	Accounts should be prepared correctly.	Action will be taken to correct
iii. A sum of Rs. 1,702,691 had been allocated for a sum of Rs. 1,471,864 payable to the Concreting the Silver Canal under the Rural Road Development Program of the year under review.	Accounts should be prepared correctly.	Under the Rural Development Program of 2018, the credit allocation for the construction of the Ridi Ela canal has been overstated and action will be taken to rectify this.
iv. Rent receivable amounting to Rs. 1,341,955 for the year under review had been accounted as Rs.1,274,470.	Accounts should be prepared correctly.	Steps will be taken to correct the errors that have occurred in accounting for rent receivables.
v. There were no provisions made in the accounts for accounts payable	Accounts should be prepared correctly.	In preparing the financial statements for the year 2018,

amount of Rs.96,212 in the year under review.

payables of Rs.96,212 have been understated and action will be taken to rectify the defect.

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| vi. According to the register, the value of the books purchased and donated during the year under review was Rs. 84,555, but it was shown in the accounts as Rs.61,080. | Accounts should be prepared correctly. | The value of books purchased and donated during the year 2018 has not been identified in the preparation of the financial statements for 2018, and action has been taken to rectify the error. |
| vii. The value of court fines for the year under review was not identified and accounted for.   | Accounts should be prepared correctly. | The value of court penalties receivable in 2018 has not been identified in preparing the financial statements for 2018, and action will be taken to rectify the error.                         |

**(b) Accounts Receivables and Payables**

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer</b> -----
The advances given to Sandunpura Gramodaya Board and Namal Oya Pradeshiya Sabha amounting to Rs.25,000 and Rs. 15,000 respectively in the year 1998, had not been settled by the end of the year under review.	Action should be taken to recover.	Necessary arrangements will be made to settle the outstanding balance of unpaid advances since 1998.

**(c) Documentary Evidences not made available for Audit**

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer</b> -----
Four assets items amounting to Rs.24,228,156 and 02 liabilities items of Rs.6,183,288, could not be satisfactorily vouched in the audit due to not submitting documents, schedules, age analysis and balance confirmation certificates	Evidences for account balances shown in the financial statements should be submitted.	Action will be taken to prepare documents, schedules, age analysis and balance confirmation certificates in the future.

#### 1.4 Non-compliances

##### Non-Compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliances	Recommendation	Comments of the Accounting Officer
	(Rs.)			
(a) Pradeshiya Sabha Act No.15 of 1987 ----- Section 150 (4)	57,350	The business tax defaulters have not been dealt with in terms of the Act.	Should comply with the provisions of the Act.	These people were informed at various times. Due to the closure of some businesses, it is not possible to identify the relevant party. I will take a formal report from the Revenue Inspector and take a decision at the Pradeshiya Sabha Executive Committee and future action will be taken.
(b) Public Administration Circular No.30/2016 dated 29 December 2016.	-	Fuel burning test was not done for 12 Sabha owned vehicle	Should comply with the related circulars.	Steps will be taken to do the fuel test in the respective vehicles.
(c) The Treasury Circular No. IAI/2002/02 dated 28 November 2002.	1,698,000	A separate fixed asset register was not maintained for 17 computers and accessories owned by the Sabha.	Should comply with the related circulars.	Computers amounting to Rs.1,698,000 belonging to the Sabha has been mentioned in the inventory book and I will take necessary action to maintain a separate register for this purpose

## 2. Financial Review

### 2.1 Financial Result

According to the financial statements presented, the revenue over recurrent expenditure for the year ended 31 December 2018 amounted to Rs. 9,071,890 when compared with the revenue over recurrent expenditure of the preceding year amounted to Rs. 6,587,392.

### 2.2 Revenue Administration

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

Information of estimated revenue, billed revenue, collected revenue and arrears of revenue relating to the year under review and previous year are shown below.

Revenue source	2018				2017			
	Estimated Revenue	Billed Revenue	Recovered Revenue	Arrears as at 31 December	Estimated Revenue	Billed Revenue	Recovered Revenue	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	1,488,956	1,728,772	1,466,069	2,555,273	1,543,956	1,596,266	1,115,942	2,264,129
Rental	10,343,566	9,616,676	8,970,726	1,087,200	8,117,866	8,829,540	8,350,860	521,085
License Fee	1,510,600	1,875,050	1,833,700	57,350	1,441,000	1,804,110	1,815,310	20,500
Other Revenue	1,864,000	269,335	3,604,485	187,270	1,833,000	2,306,395	2,198,187	188,500

#### 2.2.2 Courts Fines and Stamp Duty

##### (a) Courts Fines

Audit Observation	Recommendation	Comments of the Accounting Officer
The courts fines receivable as at 31 December 2018 had not been identified.	Action should be taken to identify and recover the arrears courts fines for the year under review.	Steps are being taken to recover court fines owed by the Dehiattakandiya Magistrate's Court.

##### (b) Stamp Duty

Audit Observation	Recommendation	Comments of the Accounting Officer
Receivable stamp duty of Rs.53,000 as at 31 December 2018 had not been recovered.	Arrears stamp duty should be recovered.	Although the relevant tax money requests have been made, these stamp duty have not yet been paid to our office. I will take necessary measures to recover the stamp duty.

### 3. Operational Review

#### 3.1 Performance

Following matters were revealed relating to the functions which should be performed by the Sabha to regulate and administrate public health, public utility services and public roads and luxury, convenience and welfare of the people under section 3 of the Pradeshiya Sabha Act.

##### (a) By-Laws

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
By-laws were to be enacted to fulfill 30 main matters under section 126 of the Pradeshiya Sabha act, but only for 01 matter the by-laws had been enacted by 31 December 2018	By-laws must be enacted for matters where no by-laws are enacted.	By-laws that were to be enacted in terms of paragraph 15, section 126 of the Pradeshiya Sabha Act had been drafted by the Sabha and presented to the Eastern Provincial Council, but they have not been passed. Accordingly, only by-laws regarding solid waste management have been passed and it was implemented by our institutions. Similarly, I inform, that the Eastern Provincial Council is in the process of implementing 05 by-laws.

##### (b) Action Plan

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
An action plan had not been prepared by the Sabha for the year under review.	An action plan should be prepared for each year.	Although no action plan has been prepared for this year, work is on to prepare for the coming year.

##### (c) Activities abandoned

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
A provision of Rs.1,000,000 had been approved for the Purchase of Plastic Crushing Machine for Lihiniyagama Solid Waste Management Center under Provincial Specific Development Grant of	Plastic Crushing Machine should be supplied and the project should be implemented.	Quotations were called for Purchase of Plastic Crushing Machines, and although the supplier provided the machine with the value of Rs.600,000 but due to several technical flaws, it was rejected. However, the supplier did not pay

2017 and a sum of Rs.390,462 had been spent in 2018, but by 31 December 2018 it had been abandoned without achieving the desired results.

for the machine and that the money is in the Pradeshiya Sabha Industries account and the rest of the money is spent on its electrical circuits and electrical connection. I will hereby report that once the machine has been properly returned, the money is paid and the supplier agrees with this.

**(d) Sustainable Development Goals**

Audit Observation	Recommendation	Comments of the Accounting Officer
Even though the Pradeshiya Sabha was aware of the United Nations Sustainable Development Agenda – 2030, Sustainable development objectives and goals were not identified.	Should be identified and established the sustainable development goals and objectives.	Awareness on this will be carried out in the future.

**3.2 Management Inefficiencies**

Audit Observation	Recommendation	Comments of the Accounting Officer
Revenue license for the year under review were not obtained for 13 vehicles owned by the Sabha which were in running conditions.	Action should be taken to obtain revenue license.	At present, action is being taken to obtain revenue licenses for all vehicles and revenue license can be obtained after the transfer of vehicles (UNOP) which to be taken over by Dehiattakandiya Pradeshiya Sabha.

**3.3 Human Resource Management**

Audit Observation	Recommendation	Comments of the Accounting Officer
There were 11 vacancies for 08 staff positions as at 31 December 2018.	Vacancies of staff should be filled.	These recruitments are subject to the Eastern Provincial Council.

### 3.4 Operational Inefficiencies

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
i. Although 10 telephone towers have been installed in the Pradeshiya Sabha area, tax amount of Rs.30,000 has not been recovered for the year under review.	Business taxes must be recovered.	Action is being taken to recover the business tax from these institutions.
ii. Rates and Taxes had been recovered during the year under review based on the last assessment made in the year 2011, done by the Pradeshiya Sabha.	A new valuation should be carried out and rates and taxes should be recovered.	The Valuation Department offices in the Eastern Province are located in Batticaloa town and the presence of only 01 such office has caused delays in our annual assessment. Although there are frequent inquiries about this, this delay is ongoing. A re-request has been made to assess these rates from the year 2020.
iii. Based on the assessment done in 2008, the rent had been levied from 05 shops owned by the council during the year under review.	New assessments have to be made and the market rentals have to be recovered.	Five stalls have been leased for the assessed value in the year 2008 and that these stalls will be given on long term lease and necessary arrangements will be made to carry out these valuations expeditiously.

### 3.5 Assets Management

#### 3.5.1 Assets not Documented

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Two buildings constructed for Rs.1,990,190 in 2016, were not included in the fixed asset register.	Relevant assets should be documented.	The necessary arrangements have been made to document those assets that were built in 2016.

### 3.5.2 Assets not Acquired

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
<p>i. The Pradeshiya Sabha have not taken action to take over the ownership of 06 vehicles given by the Mahaweli Authority, NGOs and the Ministry of Finance.</p>	<p>The legal ownership of the vehicles should be taken over in the name of the couSabha.</p>	<p>These vehicles are not in a position of repaired at present and they have been asked to take over the ownership of the vehicles. Accordingly, arrangements are being made to carry out the relevant transfers and the future activities of the vehicles if they are carried out by our institution. Other vehicles in the register are donated by UNOP and due to the absence of its head office, the vehicles cannot be transferred and the Chief Secretary of the Eastern Province has been referred for the relevant instructions.</p>
<p>ii. Action had been taken even in the year under review to acquire ownership of 04 plots of 1.72 hectares of land given to the Pradeshiya Sabha by the Sri Lanka Mahaweli Authority and 07 playgrounds which had not been calculated.</p>	<p>The legal ownership of property should be taken over in the name of the Sabha.</p>	<p>The extent of 1.47 hectares you have mentioned has now been formally handed over to us by the Sri Lanka Mahaweli Authority through a grant paper. Survey orders for 07 playgrounds have been sent to the Mahaweli Authority and as soon as these orders are received I will carry out surveys and take necessary action.</p>

### 3.6 Procurement

#### 3.6.1 Procurement Plan

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
<p>A procurement plan for the year 2018 had not been prepared according to the National Budget Circular No.128 dated 24 March 2006.</p>	<p>A procurement plan should be prepared for each year.</p>	<p>Action had been taken to prepare a procurement plan for the next year.</p>