

Dehiowita Pradeshiya Saba
Kegalle District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for year 2018 have been submitted on 18 March, 2019 to the audit. the Summary Report of the Auditor General on this Financial Statements and the Detail Management Audit Report have been sent respectively on 31 May, 2019 and 28 June, 2019 to the Chairman.

1.2 The Quantified Opinion

In my opinion, except for the effects of the matters described in basis for the Qualified Opinion section 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 2018 and its Financial Performance for the year then ended in accordance generally accepted accounting principles.

1.3 Basis for the Quantified Opinion

(a) Accounting Deficiencies

| Audit Observations ----- | Recommendation ----- | Comments of the Accounting Officer ----- |
|--|---|--|
| (i) Balance of the Recievable Salary Reimbursement Account as at 31 December in the year under review was indicated reducing Rs. 13,695. | Accounts should be prepared accurately. | Rectified in year 2019. |
| (ii) Although the balance of Supplies and Equipment Creditors as at 31 December in the year under review was Rs. | Accounts should be prepared accurately | The total amount of General Supplies Creditors Rs. 743,326 has been recorded in the Supplies and |

- 24,970 it was recorded in the accounts as Rs. 743,326.
- (iii) Value of Library books has been indicated reducing Rs. 141,799 as purchase discounts received in the previous year and the year under review amounted to Rs. 80,084 and Rs. 61,715 respectively have not been recorded in the accounts
- (iv) 6 motor cars valued at Rs. 12,196,750 and value of 4 machineries have not been capitalized.
- (v) Value of the Industry performed under 4 sources of funds in the year under review amounted to Rs. 26,798,952 has not been recorded in the Statement of Financial Operations and Industry's Debtors and Creditors as at 31 December 2018 have been understated by Rs. 25,317,252.
- Equipment Account. Steps have been taken to rectify in year 2019.
- Library books should be recorded in accounts including discounts.
- Although the Audit Report has indicated as Rs. 593,124, actual value of purchase of library books in 2018 was Rs. 513,039. Accurate amounts have been recorded in the Library Books Account in the General Ledger.
- All assets should be capitalized.
- Amounts to be included in the Motor Cars and Carts Account has been understated due to insufficient information in the support documents. Steps are taken to obtain accurate schedules from the subject officers and to capitalize them.
- Capital aid should be recorded in accounts
- Up to date, this Sabha has recorded out-sourced funds in the deposit account. However, steps will be taken to adjust such funds through the Journal Entries when preparing the final accounts in 2019.

| | | |
|---|-------------------------------|--|
| (vi) Up to date, this Sabha has recorded out-sourced funds in the deposit account. However, steps will be taken to adjust such funds through the Journal Entries when preparing the final accounts in 2019. | Accounts should be rectified. | Steps will be taken to rectify when preparing the accounts in 2019 by verifying the document kept with the Subject Officers. |
|---|-------------------------------|--|

| | | |
|---|------------------------------|--|
| (vii) 12 inventory items valued at Rs.3,141,410 pointed out in the previous year have not been capitalized. | Assets should be capitalized | Steps will be taken to rectify when preparing the accounts in 2019 by verifying the document kept with the Subject Officers. |
|---|------------------------------|--|

(b) Un reconciled Control Account

| Audit Observation ----- | Recommendation ----- | Explanations by the Accounting Officer ----- |
|---|--|---|
| There had been a difference of Rs. 20,166,631 between the Financial statements on 8 subjects and the support documents at the end of the year under review. | Accuracy of the Financial Statements and the support documents | The difference will be adjusted by checking with the support documents. |

(c) Suspense Account

| Audit Observation ----- | Recommendation ----- | Comments of the Accounting Officer ----- |
|--|---|---|
| Steps has not been taken to settle the credit balance of Rs. 4,553 in the Suspense Account carried from year 2009. | Steps should be taken to settle the balance | Not explained. |

(d) Contingent Liabilities

| Audit Observation ----- | Recommendation ----- | Comments of the Accounting Officer ----- |
|---|---|--|
| Details about 14 cases filed against the Sabha and 03 cases filed by the Sabha against outside parties have not been disclosed in the Financial Statements. | Contingent liabilities should be disclosed. | Steps will be taken to disclose such details when preparing Final Accounts from 2019 adhering to Public Sector Accounting Standards. |

(e) Accounts Payable

| Audit Observation ----- | Recommendation ----- | Comments of the Accounting Officer ----- |
|---|--|--|
| Value added tax amounted to Rs. 2,163,505 collected in 2010/11 has not been remitted to the Commissioner of Inland Revenue. | Steps should be taken to settle the long standing accounts payable | Steps will be taken to settle the balance of the Value added Tax Account as immediate as possible. |

1.2.4 Non-compliance

1.2.4.1 Non-compliance to Laws, Rules, Regulations and Management Decisions

| Reference to the Laws, Rules, Regulations and Management Decisions | Non-compliance | Recommendation | Comments of the Accounting Officer |
|--|----------------|----------------|------------------------------------|
|--|----------------|----------------|------------------------------------|

| | | | |
|--|--|---|---|
| (a) Sections 158(1) and 159 of the Pradeshiya Sabha Act No. 15 of 1987 | Actions has not been taken to recover Rs.3,704,943 of assessment exceeding one year and tax on lands | Actions should be taken in terms of the Act | Several programmes regarding prohibiting property in terms of the Act were implemented in order to recover outstanding assessments. Accordingly, properties under Division Nos. 01, 02, 03 06 have been prohibited. A plan was implemented to collect tax through verification of assets for the recovery of tax on lands. |
|--|--|---|---|

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

| | | | |
|-----------------|--|---|--|
| (i) F.R. 371(5) | Advances aggregating Rs. 134,650 granted at 5 occasions have not been settled by 31 December 2018. | Actions should be taken in terms of Financial Regulations | An amount of Rs. 57,150 has been settled by 31 May 2019 and actions will be taken to recover the sum incurred for Members' fuel allowances and erecting arched gate ways, in 2019. |
|-----------------|--|---|--|

| | | | |
|--------------|----------------------------------|-------------------------------------|--|
| (i) F.R. 571 | Actions have not been taken with | Actions should be taken in terms of | Rs. 871,872 out of Rs. 2,779,197 available for |
|--------------|----------------------------------|-------------------------------------|--|

regard to past Financial deposits amounted to Rs. 2,844,628 which is belonged to the period from 2006 to 2016 .

the period between 2006 and 2012 has been credited to the revenue of the Sabha and actions will be taken to credit the rest of the deposits to the revenue of the Sabha.

- (c) Chapter XXIV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka Section 1.6
- Actions have not been taken to recover the loan balances aggregating Rs. 76,945 outstanding from 4 servants who were transferred out and vacated their posts.
- Actions should be taken in terms of the Establishments Code.
- Actions have been taken to recover the loan balances of retired officers from their gratuity. The loan balances of transferred officers will be referred to the Office of the Commissioner of Local Government and the V.O.P. Officers have been informed of their outstanding loan balances and will be recover from their sureties.
- (d) Public Administration Circular No. 30/2016 dated 29 December 2016 Paragraph 3.1
- Fuel Consumption test has not been conducted regarding 4 vehicles of the Sabha according to the instructions of the Circular
- Actions should be taken in terms of the provisions of the circular.
- 15 nos. of vehicles are available related to year 2018 while fuel inspections have been conducted regarding 8 vehicles up to date. Rest of 7 vehicles consisted with 2 Motor Cycles, 2 Tractors, 1 Threewheeler and 1 JCB. Fuel

inspection has not been conducted for the 4 vehicles other than the Motor Cycle and the Tractor which are not running.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, expenditure of the Sabha which exceeded the recurrent income for the year ended 31 December 2018 was Rs. 7,753,004 and in contrast the income exceeded the recurrent expenditure in the previous year was Rs. 9,295,006.

2.2 Income Administration

2.2.1 Estimated Income, Billed Income, Collected Income and Arrears of Income

| Source of Income | 2018 | | | | 2017 | | | |
|------------------|------------------|---------------|------------------|--|------------------|---------------|------------------|--|
| | Estimated Income | Billed Income | Collected Income | Total Arrears Income as at 31 December | Estimated Income | Billed Income | Collected Income | Total Arrears Income as at 31 December |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Assesments | 3,230,700 | 3,289,025 | 4,051,498 | 3,705,905 | 3,230,700 | 3,295,460 | 4,629,781 | 4,468,378 |
| Rent | 5,955,650 | 6,083,257 | 5,645,519 | 1,929,353 | 8,186,792 | 5,761,318 | 5,942,348 | 1,491,615 |
| License | 800,000 | 819,410 | 819,410 | 96,518 | 800,000 | 669,600 | 672,350 | 96,518 |
| Other Income | 55,743,600 | 59,322,822 | 55,912,973 | 37,376,957 | 53,602,300 | 45,487,931 | 40,228,387 | 33,967,107 |

2.2.2 Tax on Lands

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|--|--|
| ----- | ----- | ----- |
| <p>1% tax amounted to Rs. 895,284 was charged based on the estimated value in place of actual sales value pertinent to 122 plots of lands sold out in the period from 2013 to 2016 .</p> | <p>Income should be recovered on the basis of Actual Sales Value</p> | <p>Revenue Inspectors have been informed to check with the land registry and report the actual sales value of the lands.</p> |

2.2.3 Rental of Shops

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|--|--|
| ----- | ----- | ----- |
| <p>(a) The Sabha has lost Rs. 12,000,000 Key money and Rs. 366,000 income per annum expected from 3 premises with 319.5m² in the 1st floor of the multi-purpose building complex in which the Sabha is situated and proposed to rent out for banks, due to non availability of lavatory facilities</p> | <p>Rs. Actions should be taken to recover the income</p> | <p>It is expected to rectify the defects in future and to generate income by rent out the shops through calling tenders.</p> |

- (b) Key money and arrears rental amounted to Rs. 5,256,640 and Rs. 7,783,797 respectively were receivable from 16 shop rooms of the above commercial complex by August 2018 and no legal action could be taken due to no contractual agreements and there is a risk of recovery of rental
- It is expected to enter in to legal contracts and to recover the rental.
- The occupiers of the shops were agreed to pay the arrears by 39 installments and few of them are paying such amounts. Other shop owners also have been informed in writing and arranged to make contractual agreements. If not, their tenders may be cancelled and invited for new tenders.
- (c) Rental and fine receivable from butcheries and fish stalls were Rs. 125,276 and Rs. 23,787 respectively. Rs. 93,980 out of such amount are outstanding for the period from 1991 to 1997
- Action should be taken to recover the revenue.
- Although there is list of shopkeepers from 1991-1997, they are not residing in those places and have sent a letter requesting information to the Divisional Secretariat to ascertain whether they are still alive. Action was taken to recover the remaining arrears and the beef shop at Dehiowita was canceled and the second tender was given to the second bidder.

2.2.4 License revenue

| Audit Observations | Recommendation | Comments of the Accounting Officer |
|--|------------------------------------|---|
| Action had not been taken to collect 95,518 receivable license fees, which were not known at the time. | Steps need to be taken to recover. | The Assistant Commissioner of Local Government in Kegalle has referred the matter for approval to deduct this amount. |

2.2.5 Court fines and stamp fees

| Audit Observations | Recommendation | Comments of the Accounting Officer |
|---|--|--|
| The court fines of the Chief Secretary of the Provincial Council and other authorities was Rs. 9,958,326 and stamp fees was Rs. 20,900,000 by 31 December 2018. | Action should be taken to recover the revenue. | The Schedules has reported only court fines related to January 2018 to October 2018. The details of the 2018 Stamp fees have not been received and action will be taken to report it soon. |

3. Operational review

3.1 Performance

The following are the findings of the functions of the Council for the regulation, well being , convenience and control of public health, public utility services and public roads under section 3 of the Pradeshiya Sabha Act.

(A) By-Laws

| Audit Observations | Recommendation | Comments of the Accounting Officer | |
|--------------------|---|---|---|
| i | Though the council has accepted 15 out of 42 Draft by-laws, published By the Minister of Local Government and had enacted the by-law regarding parking vehicles on the roads by the the Gazette number 2082 dated 26 July 2018 of The Democratic Socialist Republic of Sri Lanka, the Council had failed to act on such measures. | By-laws should be enacted as applicable and work in compliance with them. | Three wheeler association awareness program was held on February 20, 2019 with regard to the by-law of parking on the roads and some of them have been informed by letter due to the lack of licenses. Matters pertaining to the by-law of the crematorium are being handled. |
| ii | By the end of the year under review, it was not able to accept the by-laws or to draft by-laws regarding the advertising of advertisements. | By-laws should be enacted soon. | By-law on advertising of advertisements has been forward to Governor's approval. |

(B) Solid waste management

| Audit Observations | Recommendation | Comments of the Accounting Officer |
|--|--|---|
| Public complaints and objections have been raised due to non-collection of garbage in 5 divisions including 2,101 rate units belonging to the council. | Garbage should be collected covering all areas of the council. | It has been three years since the establishment of the council's waste management center. But to date it has not been possible to build buildings to increase its capacity. |

(C) Sustainable Development Goals

| Audit Observations | Recommendation | Comments of the Accounting Officer |
|--|--|--|
| Although the Council is aware of Agenda 2030 for Sustainable Development Goals, the long-term plans for improving the quality of life and health of the people of the area are not yet worked out for year 2018 through the Global Indicators to achieve those objectives. | Long-term plans need to be worked out. | The 2030 Agenda on Sustainable Development Goals has been incorporated into the Four years Annual Plan 2018-2022 and the 2019 Annual Plan. |

3.2 Asset Management

3.2.1 Lack of confirm the security of assets

| Audit Observations | Recommendation | Comments of the Accounting Officer |
|--|---|---|
| No action had been taken to remove / prevent unauthorized constructions, residences, mining, etc. identified in an annual survey, to set boundaries, secure and to generate revenue for the council. | Action should be taken to protect assets. | Legal action will be taken to prevent unauthorized constructions, settlements, mining, etc. and to remove, prevent, set boundaries and secure revenue for the council and to minimize such defects. |

3.2.2 Non-transferred assets

| Audit Observations | Recommendation | Comments of the Accounting Officer |
|---|--|--|
| No action has been taken to transfer and register three vehicles worth Rs. 18,113,220 owned by the Ministry of Local Government and 5 tractors and a tractor worth Rs. 12,498,999 owned by the Sabaragamuwa Provincial Council. | Transferring of vehicles should be done regularly and the documents should be kept up to date. | Transferring of vehicles has been done in a systematic manner. |

3.3 Procurement plan

| Audit Observations | Recommendation | Comments of the Accounting Officer |
|--|---|---|
| Procurements amounting to Rs.4,632,354 had been made without preparing a plan for the year under review. | A formal procurement plan should be prepared and implemented. | A Procurement Plan has been prepared for the year under review and is due to be submitted to the Finance Committee scheduled for June 2019. |

4. Accountability and good governance

4.1 Management Budgetary control

| Audit Observations | Recommendation | Comments of the Accounting Officer |
|---|---|------------------------------------|
| The total budget allocation for the year under review was Rs. 12,545,000 of the 39 budget items allocated by the budget had not been fully utilized and which amounted to 50% to 99% of the total provision of Rs. 11,049,649 not utilized out of the Rs. 16,695,000 provisions of the 17 subjects. | Need to work out a more effective budget and use it as a financial control agent. | Agree with this statement. |