

Dodangoda Pradeshiya Sabha

Kalutara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented for audit on 29 March 2019 and the summary report of the Auditor General had been forwarded on 30 June 2019 and the detailed management audit report had been forwarded on 23 September 2019 to the Chairman.

1.2 Qualified Opinion

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

1.3 Basis for the Qualified Opinion

(a) Accounting Deficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
-----	-----	-----
(i) The cost of 67 Land and Buildings had not been assessed and accounted in the Financial Statements and a water tank purchased in 2016 had not been capitalized .	Assets should be capitalized.	Assessment is being doing by an assessor. Action will be taken to correct in accounts of 2019.
(ii) Since the Value Added Tax amounted to Rs. 4,256,317 had been added and accounted to the construction cost of office and weekly fair under Puraneguma project, thus the cost of land and building had been overstated by that amount.	Should be accounted by removing tax from the cost of assets.	Action will be taken to correct the tax when preparing accounts in 2019.

- (iii) Library books stock of Rs. 134,811 in Sobithagama library had been understated. Should be capitalized the understated library book stock. Will be corrected by final account in 2019
- (iv) Electrical stores and general stores stock respectively Rs.124,028 and Rs. 18,500 which had been identified by the annual board of survey had been debited to the relevant stock accounts and Accumulated Fund Account. Should be corrected the debit of Accumulated Fund. Will be corrected in 2019.
- (v) A sum of Rs.1,713,566 received by selling 08 assets during the year under review had been credited to miscellaneous revenue deposit account. Further the cost of Rs.2,843,550 of above 04 assets had not been removed from the relevant assets and revenue contribution to capital account. Should be removed the sale of assets income from deposit account and cost from assets accounts. Will be corrected by final accounts in 2019.
- (vi) A sum of Rs.2,021,291 of one per cent tax income received from the auction of properties and wood in 2018 had been credited to deposit account. Should be stated as income in the Financial Statements. It is mentioned that correction will be made in final account, in 2019.
- (vii) Capital Aid of Rs.7,586,848 and Capital Expenditure of Rs.10,809,583 relevant to the year under review had been overstated. Should be accurately adjusted of capital revenue and expenditure. Will be rectified when preparing final account in 2019.
- (viii) According to the accounting procedure of Local Authorities, although fixed assets accounts balance and contribution from revenue to capital outlay account balance should be equal, there was a difference of Rs.3,028,092 between these two accounts. Relevant adjustment should be done by identifying difference. Difference which was remaining from long period, will be corrected when preparing accounts in 2019.

- (ix) Salary reimbursement of Rs.2,999,425 relevant to the year under review had been overstated. Salary reimbursement received in excess should be accurately adjusted. Accepted.
- (x) The balance of accumulated fund account of Rs.101,340 and the balance of industrial creditors account of Rs.241,918 had been over stated as at 31 December 2018 according to the main ledger. Accounts should be corrected. Will be rectified when preparing the accounts in 2019.

(b) Unreconciled Accounts

Audit Observations	Recommendations	Comments of the Accounting Officer
A difference of Rs.3,624,071 between the balance of 07 items of accounts in the financial statements of Rs.305,858,758 and its balances shown in the relevant schedules.	The differences in the accounts should be reconciled and corrected.	Will be rectified when preparing the accounts in 2019.

(c) Accounts Receivables and Payables

Audit Observations	Recommendations	Comments of the Accounting Officer
(i) A sum of Rs.1,545,121 of receivable accounts from maintenance of street lamp existing from 2010 had not been recovered.	Action should be taken to recover.	Action will be taken to rectify in 2019 through written confirmation of electricity Board.
(ii) An advance balance amounting to Rs.88,103 remain from 21 years to 37 years had not been settled.	Action should be taken to settle time laps advances.	Action will be taken to rectify when preparing final accounts in 2019.

(d) Lack of written evidence required for audit

Audit Observations	Recommendations	Comments of the Accounting Officer
Aggregating value of Rs.2,131,115 of two tractors , a trailer and a garbage cart which were shown in the financial statements in 2017, had not been shown in the financial accounts in 2018 and the any evidence had not been rendition to audit of those assets disposed or existing at present.	Relevant evidence should be furnished.	Answer did not presented.

1.4 Non Compliances**Non-compliance with Laws, Rules, Regulations and Management Decisions**

Reference to Laws, Rules, Regulations and Management Decisions	Value Rs.	Non Compliances	Recommendations	Comments of the Accounting Officer
(a) Pradesiya Sabha Act No. 15 of 1987 (i) Section 134(1)		Immovable properties situated in an area declared by the Sabha as developed areas where as new identification had not been done for rate.	Action should be taken to recover and made new identification for rates.	Rates revision had been lapsed of 12 years, Action will be taken to call information from revenue officers and recover the rates relevant to new areas in 2021.
(b) Financial Regulation of 571 of the Democratic Socialist Republic of Sri Lanka				

	131,364	A list had not been prepared at the end of each semester on all expired deposits, had not credited to State Revenue.	Action should be taken according to the Financial Regulation regarding expired deposits	Necessary action has been completed by now, take action as schedule in future.	
(c)	Gazette Notification No.1533/16 dated 25 January 2008	License had not been issued for 29 institutions that is liable to environmental license.	Environmental license should be issued to institutions.	Due to lack of staffs issuing license was delayed, that activity will be updated in future.	
(d)	Section 3.9.1 of National Procurement Guideline	2,669,728	Five contracts had been awarded for community based organizations under direct contract method without fulfilling initial requirements.	Action should be taken according to circular when awarding contracts to community based organizations. .	Contracts had been awarded on the recommendation of Divisional Secretary, action will be taken as informed in futur.

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 2018 amounted to Rs.20,915,086 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.2,669,511.

2.2 Revenue Administration

2.2.1 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	2018				2017			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Source of Revenue	Estimated Revenue	Revenue Collected	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	7,065,000	6,842,605	6,277,557	565,048	6,045,660	3,942,011	3,477,053	464,957
(ii) Rent	910,000	956,340	896,040	60,300	775,870	846,162	813,662	32,500
(iii) License Fees	275,000	238,750	238,750	-	190,000	152,800	151,800	1,000
(iv) Other Revenue	39,146,000	40,711,661	37,831,570	2,880,090	29,717,500	14,654,056	11,462,879	3,191,177

2.2.2 Rates and Taxes

	Audit Observations	Recommendation	Comments of the Accounting Officer
(i)	The rate in arrears balance at the beginning of the year under review was Rs.2,106,206, out of that a sum of Rs.1,235,275 or 59 per cent had not been collected during the year.	Arrears of rate revenue should be recovered soon.	Reflect the progress in recovering arrear rate and there is a problem in 03 out of 05 in revenue areas, action will be taken to recover the arrears amount before ending this year.
(ii)	Entire recovery of rate was Rs.2,598,623 for the year under review that was 59 per cent. As at the end of the year there had an arrears of rate of Rs. 1,794,324 to be recovered further.	Arrears of rate revenue should be recovered.	Collection of revenue at present is satisfactory. 25 percent could not be recovered due to default in current year.
(iii)	In the balance of arrears rates as at 31 December 2018 there were arrears between 01 to 03	Action should be taken to recover the arrears existing from long period.	Targets are given to Revenue Officers to collect the arrears revenue.

years of Rs.568,168 for 1184 units, between 04 to 10 years of Rs.386,740 for 264 units and over 10 years of Rs.808,072 for 526 units.

2.2.3 Court Fines and Stamp Fees

Audit Observations	Recommendation	Comments of the Accounting Officer
(i) Court Fines		
A sum of Rs .20,879,490 had been stated in the financial statements as receivable Court Fines , out of that a balance of Rs. 17,535,530 was remained from over 03 years.	Necessary action should be taken by identifying.	Incorrect billing was been terminated up to now.
(ii) Stamp Fees.		
A sum of Rs 5,596,585 had been stated as receivable Stamp Fees as at 31 December 2018 and the billed amount was Rs. 27,000,000. Receivable Stamp Fees as at 31 December should had been Rs.27,000,000 in minimum due to any cash had not been received during the year.	Action should be taken to obtained billed stamp fees.	Recovery is being delay since delay in obtain schedules, action is being taken to obtain schedules.

3 Operating Inefficiencies

3.1 Performance

Audit Observations	Recommendation	Comments of the Accounting Officer
(a) Action Plan		
Even though a sum of Rs. 88.48.million had been allocated from the budget for the year 2018 by Sabha, only Rs.70.64 million had been included in the Action Plan.	Action Plan should be prepared based on budget.	Answer had not presented.

(b) Activities Contrary to objective

(i) Even though capital expenditure of Rs.4.9 million had been allocated under roads and bridges by annual budget out of that only four project of Rs. 2.1 million had been included in the Action Plan but had not implemented those too.

Budget allocation should be included into Action Plan and projects should be implemented. Action will be taken to prepare the budget based on Action Plan.

(ii) Although performance should be evaluated as per the expected output and results in Action Plan and the activities had been identified in the Action Plan based on Rs.88.5 million of budget estimates and it had not a method for evaluating the activities.

Method should be existed to evaluate the activities in the Action Plan. Action will be taken to follow a correct method.

(c) Sustainable Development Targets

According to the Circular No BD/CBP/4/1/2-2018 dated 31 July 2017 of National Budget Department, Sabha had not been awared about new policies and strategies introduced by that circular for preparing budget estimates and had not been properly identified interested parties in implementing the Sustainable Goals. Further the allocation had not been provided in annual budget for 2018 by the Sabha to achieve Sustainable Development Goals and there is no evidences that it is in the Action Plan and implement.

Identifying sustainable development targets and goals and documented in budget and should be implemented by including the Action Plan. Staff had not been awared in 2018, Action will be done in 2019.

3.2 Human Resources Management

Audit Observations -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Sabha had not been taken action to fill vacancies in the posts of Technical Officer, Field Work Oversear, Heavy Equipment Operator, Security and Health Labourer existed as at 31 December 2018	Action should be taken to fill the vacancies..	The reports had been forwarded to the Provincial Public Services Commission in quartely for recruit the technical officer. Request was been made to fill the post of work/field oversear from Chief Secretary. Although applications were called for heavy vehicle operator but did not submit. Security and 2 health labourer had been given appoinments.
(b) A loan balance of Rs. 106,505 was outstanding from 6 months to 7 years of period from two officers who had vacated post had not been recovered during the year under review.	Arrears loan balance should be recovered.	Although the two officers who had below 10 years of service obtained loan, action had not been taken to obtain deposit gurante. Legal action is being taken for this.

3.4 Operational Inefficiencies

Audit Observations -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Although one per cent should be recovered from the selling value of auctioned land, a sum of Rs. 2,838,782 had been recovered based on the survey report of revenue inspectors of the Sabha.	Tax should be recorded on the selling price of the land.	Although the value of blocks of land had been given by the auction company and the action had not been taken according that value and the revenue inspector had obtained the assesment value of lands in the area and did according that.
(b) Unauthorized 02 houses have been built and residing in a part of a land of 03 roods and 14 perchs which is received for general purposes in the year 2000 by a land auction.	Action should be taken on unauthorized residents.	Residing long period of time, action will be taken in future after site visit.

3.5 Assets Management

3.5.1 Idle and Under Utilized Assets

Audit Observations	Recommendation	Comments of the Accounting Officer
17 trade stalls in Dodangoda Public fair had been rented out , it had been closed in idle without occupied in business.	Idle assets should be utilized.	Since this building was old more than 30 years, business could not be done. construction of a new building was been started.

3.5.2 Receivable income not received from Assets

Audit Observations	Recommendation	Comments of the Accounting Officer
Eventhough asses value had been given for two vehicles and a hand stone roller which was disposed in 2017 loss of Rs.120,750 had been occured by selling less than asses value.	Assets should not be sold less than asses value.	Proper advertistment was published for damage vehicle parts, but bidders had been recieved less than asses price, maximum bid was accepted since time and expenses incurred for recalling quotations.

3.6 Identified Losses

Audit Observations	Recommendation	Comments of the Accounting Officer
A deficit was Rs.280,998 between the stock ledger balance and stock in sores officer.	Stock registers should be updated.	It is mention that there was no deficit except not updating stock ledgers properly. Stock ledgers will maintain in update up to now.

3.7 Contract Administration

Audit Observations	Recommendation	Comments of the Accounting Officer
A sum of Rs.380,864 had been paid to contract society for developing the road near Mr.Karunarathna's home without testing compact strenght and thickness of concreet.	Compact strenght of concreet roads should be tested.	Answer had not furnished.

4. Accountability and Good Governance

Audit Observations not Resolved

Audit Observations	Recommendation	Comments of the Accounting Officer
Orders had been given by the Provincial Public Accounts Commette held on 13 September 2018 with regard to paragraphs 2.4(a),(f)of the Auditor General's Repot of 2011 and paragraphs 2.1.1(a) of the Auditor General's report of 2012 had not been implmented up to 27 May 2019.	Orders of the Accounts Commette should be implemented.	Paragraph 2.4(a)of 2011,Advances were remained from over 30 years. Files could not be founded and action will be taken to settle immediately. Paragraph 2.4(f)-Former Chairman was been awared , Further action will be taken on the instruction of Assistant Commisioner of Local Authority. 2.1.1. of 2012 Action is being taken regarding this.