

Dickwella Pradeshiya Sabha

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Matara District  
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1. Financial Statements

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1:1 Presentation of Financial Statements  
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The financial statements for the year under review had been presented to audit on 27 February 2012 and the financial statements for the preceding year had been presented on 31 March 2011. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 19 July 2012.

1:2 Opinion  
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So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Dickwella Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2011 and except for the effects on the financial statements of the matters referred to in my report forwarded to the Chairman, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Dickwella Pradeshiya Sabha as at 31 December 2011 and the financial results of its operation and cash flows for the year then ended.

1:3 Comments on Financial Statements  
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1:3:1 Lack of Evidence for Audit  
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Transactions aggregating Rs.132,771,926 could not be satisfactorily vouched in audit due to non-rendition of necessary information to audit.

2. Financial and Operating Review  
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2:1 Financial Results  
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According to the financial statements presented, the revenue exceeding the recurrent expenditure of the Sabha for the year ended 31 December 2011 was Rs.5,329,023 as compared with the revenue exceeding the recurrent expenditure of the preceding year amounting to Rs.26,845,706.

2:2 Revenue Administration  
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2:2:1 Estimated Revenue, Actual Revenue and Arrears of Revenue  
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The information relating to the estimated revenue, actual revenue and the arrears of revenue for the year under review, as presented by the Chairman, is shown below.

	Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
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		Rs'000	Rs'000	Rs'000
i.	Rates and Taxes	2,498	1,615	1,515
ii.	Lease Rent	3,575	4,364	1,439
iii.	Licence Fees	328	828	233
iv.	Other Revenue	5,900	7,783	4,477

2:2:2 Tax on Market Stalls  
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(a) The following matters were observed with regard to the recovery of tax on 22 stalls of at the public market, Dickwella.

(i) Agreements had not been entered into and rent had not been recovered with regard to Stall No. 01 and stall No. 02.

- (ii) The monthly lease rent had not been recovered in terms of Sections 02 and 03 of the stalls tax agreement and the rent due from 07 stalls as at end of the year under review was Rs.424,370.
  - (iii) The business rights of the stalls cannot be transferred to another person as per agreement. However, stalls bearing numbers 04,07 and 10 had been sub let.
  - (iv) Tenders had not been called for, the stall No. 09 and stalls bearing numbers 19,20, 21 and 22 had been closed.
- (b) The following matters were observed with regard to the recovery of stalls tax due from 18 stalls at the Dickwella bus stand.
- (i) A sum of Rs.168,190 had not been recovered from 13 stalls in terms of the agreement as at end of the year under review.
  - (ii) Although the business rights of the stall cannot be transferred to others as per agreement, stalls bearing numbers 03 and 05 had been sub let.
  - (iii) Tax amounting to Rs.473,621 had not been recovered from fish stalls at Walasgala, Rathmale, Dickwella, Beliwatta and Dickwella public market as at end of the year under review.
  - (iv) Action had not been taken with regard to the lease of stalls in terms of circular No. දපපා/පපාකො/2010/01 dated 27 December 2010 of the Commissioner of Local Government, Southern Province.

### 2:2:3 Court Fines and Stamp Fees

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The amount receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2011 appear below.

	Rs.
(i) Court Fees	97,333
(ii) Stamp Fees	4,652,117

2:3 Operating Inefficiencies  
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- (a) The number of street lamps approved by the Ceylon Electricity Board within the authoritative area of the Sabha was 186. However, 308 lamps had been fixed and a sum of Rs.413,730 had been spent on electrical accessories.
- (b) The Sabha had claimed Rs.135,144 as expenditure on maintenance from the Ceylon Electricity Board for the year under review. However, a sum of Rs.82,080 only had been reimbursed resulting in an additional expenditure to the Sabha which amounted to Rs.53,064.
- (c) The land and buildings belonging to the Sabha should be annually verified according to Rule 218 of the Manual of Rules 1988 Pradeshiya Sabha (Finance and Administration). However, this had not been done in respect of the year under review.
- (d) Recruitment of employees on casual, substitute and contract basis in local authorities is suspended as per Management Services Circulars No. 14 and No. 28 of 03 January 2002 and 10 April 2006 of the Secretary to the Treasury. However, 35 employees had been recruited contravening the said provisions and a sum of Rs.2,531,556 had been paid from the funds of the Sabha as salaries during the year under review. Attention was drawn to the fact that the head of the institution would be personally responsible if recruitments are made overriding these circular instructions.
- (e) The Dickwella Pradeshiya Sabha consisting of 14 members had spent Rs.643,500 on salaries to members during the year under review. Four of them only had participated in 10 sessions of meetings held in 2011. One person had attended 3 sessions of meetings only.
- (f) The work proposed by members had not been included in the budget for the year under review under capital expenditure. Out of the 101 work proposed, 72 alone had been implemented. Eight members had not proposed any work.
- (g) A corporate plan and an action plan in accordance with it had not been prepared in order to achieve the aims and target of the Pradeshiya Sabha Act, No. 15 of 1987.

- (h) Opening a separate account by depositing not less than 5% of the sub project cost, preparation of a financial and provincial improvement plan in terms of Section 4.02 and preparation of annual reports, accounts and quarterly reports in terms of (FLIP) Section 4.05 had not been done in terms of Section 3.08 of the performance agreement entered into with the Local Loans and Development Fund on 15 October 2010 for the Road Development Project,

2:4 Contract Administration  
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An agreement valued at Rs.48,995,015 had been entered into with a private firm on 29 July 2010 under the Road Development Project for developing 8 roads and a sum of Rs.27,532,453 had been paid by 31 December 2011.

- (i) It was confirmed by the inspection report of the Civil Engineering Division of the Moratuwa University dated 21 March 2012 that the strength of the cement concrete mixture (pressurized energy) was not in accordance with the standard, that is, less than 25 newton grade per square millimetre with regard to the 1:2:4 (19 mm) cement concrete mixture used for the Arankahadeniya Samanmalwatta Road and Radampala Udangoda roads, as per item No. 6.01 of the agreement.
- (ii) As a result of using 1:2:4 cement mixture, deviating from the required standard, a sum of Rs.1,720,775 for 175 cubic metres of road had to be paid for the Arankahadeniya Samanmalwatta road and a sum of Rs.8,018,407 had been paid for the Radampala Udangoda road for 814 cubic metres.
- (iii) The work had not been completed even as at 02 April 2012. Demurrage amounting to Rs.3,338,858 had not been recovered in terms of Section 8 of the agreement.

2:7 Internal Audit  
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Adequate internal audit had not been carried out at the institution.