

**Dikwella Pradeshiya Sabha
Matara District**

1. Financial Statements

1.1 Presentation of Financial Statements

Financial statements for the year under review had been presented for audit on 31 March 2011 and the Financial statements for the preceding year had been presented 25 February 2010.

1.2 Opinion

In view of my comments and observation included in this report, I am unable to express an opinion on the financial statements of the Dikwella Pradeshiya Sabha for the year ended 31 December 2010 presented for audit.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) A difference of Rs.827,928 was observed between the financial statements and the schedules presented of the year under review.
- (b) Billing of stamp fees amounting to Rs.443,932 receivable from the Central Government had been omitted from the financial statements.
- (c) No provision had been made in the accounts in respect of audit fees for the year under review.
- (d) Although according to the financial statements of the end of the year under review the value of general stores amounted to Rs.90,533 according to the stores ledger (general materials and street light) value amounted to Rs.88,709 thus difference was Rs.1,824.
- (e) Key money amounted to Rs.4,082,580 received in stalls given on rent of the year under review, it had been stated as refundable deposits without taking into the revenue for the year.

- (f) (i) There was a difference of Rs.120,000 between value appeared according to the financial statements and value appeared according to the bank reconciliation relating to the two bank accounts of the year under review.
- (ii) Bank reconciliation had not been prepared for the December 2010 relating to the Bank Account No.414.

1.3.2 Accounts Payable

- (a) The value of balance of accounts payable amounted to Rs.30,606,353 for a period of over 01 year as at 31December 2010.
- (b) Payable contribution amount of Rs.2,194,594 to the Local Government Pension Fund by the sabha as at 31 December 2010 had not been stated in the financial statements.

1.3.3 Lack of Evidence for Audit

Balances valued at Rs.196,409,511 relating to the 07 accounting items could not be satisfactorily vouched or accepted in audit due to the non-availability of fixed assets registers, documents relates to the ownership and existence, schedules, age analysis etc.

1.3.4 Non-compliances

Instances on non-compliances of lows, rules, Regulations etc observed in audit are given below.

Referance to the Laws, Rules regulations etc. -----	Non – compliance -----
(a) Pradeshiya Sabha 1998 (Financial and Administration) Rules -----	
(i) Rule 193	No statement of explanations on excesses and deficiencies was prepared and furnished to the audit after reconating actual balances of expenditure items with the budgetary and supplymentary vated expenditure.

- (ii) Rule No.218 Survey had not been carried out with regard to the lands and buildings owned by the sabha for the year under review
- (iii) Public Administration Circular No.08/205 dated 31 March 2005 Although the difference of 4% interest ratio recovering from the officer and bank interest to be borned by the Government, the recoverable amount of Rs.233,908 to the Sabha was not recovered since previous 02 years up to end of the year under review.

02. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented revenue over recurrent expenditure for the year ended 31 December 2010 amounted to Rs.26,845,706 as compared with the revenue over recurrent expenditure for the preceding year amounted to Rs.329,531.

2.2 Revenue Administration

The position as at 31 December 2010 with regard to the revenue including other receipts and arrears of revenue for the year under review and preceding year and reconciled with preceding year is given below.

Description	Arrears of Revenue		Increase as a percentage	Decrease as a percentage
	2010	2009		
	Rs. '000	Rs. '000		%
Rates	1,223	1,049	16.5	-
Acreage tax	25	20	25.0	-
Licence Tax	471	341	38.1	-
Hiring Charges	962	887	8.5	-
Entertainment Tax	40	49	-	18.3
Others	39,455	27,318	44.42	-

According to the information given to the audit, the progress of recovery of following revenue of the Sabha were weak position.

Revenue	Arrears as at 01.01.2010	Billed Amount for 2010	Recoverable Amount	Recovered Amount
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	Rs.	Rs.	Rs.	Rs.
Rates	1,048,746	1,480,955	2,529,701	1,306,311
Rent	218,690	901,687	1,120,377	781,588
Trade Licence Fees	340,714	981,502	1,322,216	851,691

2.2.1 Court Fines

Fines amounting to Rs.185,125 collected and remitted to Chief Secretary up to 31 December 2010 by Magistrates' Courts under the various ordinances were receivable by the Sabha.

2.2.2 Stamp Fees

A sum of Rs.27,620,042 was receivable as at 31 December 2010 from the Register General as Stamp Fees.

2.2.3 Recovery of Arrears of Revenue

Action had not been taken as per provision of Sections 158 and 159 of the Pradeshiya Sabha Act No.15 of 1987 to recover receivable amount of Rs.1,509,980 relating to preceding years and during the year under review.

2.2.4 Stalls Rent - Bus Stand

Agreements had been signed on 01 May 2010 to give on rent 13 Trade stalls in upper floor at Rs.800 per month and 05 track stalls in ground floor at Rs.500 per month.

- (i) Although according to the first condition of the agreement, specific rent should be paid before 25 of every month, there were arrears of Rs.75,620 as at 13 June 2011 in respect of 08 trade stalls.
- (ii) According to the third condition of the agreement, if payment was defaulted for more than one month said rent would be cancelled whilst the security amount should retained by the lessor party No action had been taken accordingly for above trade stalls.

- (iii) According to the Section 8 and 9 of the agreement trade stalls cannot be closed and should not be closed any circumstances without reasons. Although it had been stated that if it is closed down the agreement would be cancelled and ownership of that place to be retained by the Sabha again, the physical inspection was carried out on 20 May 2011 and it was observed that three trade stalls of the ground floor and all trade stalls of the upper floor had been closed down.
- (iv) Although it had been stated that according to the Section 4 of the agreement, the unauthorized outside construction should not be done such as a shelter, tat, loft to the ground floor of the trade stall and outside construction had been done in trade stall No.2.

2.2.5 Stall-Rent - Public Market

The agreement had been signed in 2010 to recover monthly rent for 11 trade stalls at Rs.750 each and 11 trade stalls at Rs.1,000 each in Public Market.

- (i) Although it had been informed that according to the Section No.02 and 03 of the agreement when non-payment of rent for more than one month period the rent would be cancelled, a sum of Rs.321,370 had not been recovered as at 13 June 2011 from 07 trade stalls.
- (ii) The physical inspection carried out on 20 May 2011 it was observed that, contravening to the agreement two trade stalls had been given sub lease by lessees whilst it was reported to the audit that sub lessee had paid high monthly rent from Rs.4,000 to Rs.4,500 to the initial renters.
- (iii) It was observed at physical inspector, according to the agreement trade stall should not be closed. However, trade stalls Nos.5,7,8,10 were remained closed down.
- (iv) Although 26 trade blocks in the public market had been given on monthly rent at Rs.250 each and all the trade blocks from No.10 to No.21 had been closed down without use. It was observed that expenditure incurred by the sabha for the construction of public market had not been utilised for public benefit.

2.2.6 Advertisement/Visual Environment, Charges

It was decided to impose and recover charges through Gazette Notice No.1639 dated 28 January 2010 constitutionally by – laws of Local government Gazette Notice NO.520/7 dated 23 August 1988 in respect of exhibition of constructions (including banners) advertisement in the area of authority of the sabha.

The following matters were observed in this connection.

- (a) The physical verification was carried out on 19 May 2011 with the Revenue Inspector of the sabha with regard to the advertisements of the area of authority of the sabha and a sum of Rs.118,050 had not been recovered even date of audit on 19 May 2011 from 44 advertisements fixed on road sides whilst it was observed those advertisements were being displayed since 2010.
- (b) The charges had not been recovered from the advertisements being exhibited on walls, advertisements being exhibited on roof of the business place and buildings as per Gazette Notice.
- (c) The physical verification carried out only very limited area of the main road (Matara – Tangalle) in the area of authority of the Sabha. Therefore, on the basis of non-recovery of charges correctly from the advertisements being displayed in the entire area of the authority and it was observed that a financial loss had been occurred to the sabha.

2.2.7 Rent and Charges

It had been prescribed by the Gazette Notice No.1639 dated 28 January 2010 to recover rent and charges by quoting sections of the Pradeshiya Sabha Act in the area of authority of the Sabha. Although no written evidence were made available to the audit to ascertain that said charges had been recovered.

- (a) When selling Land in Public auction or other manner by auctioneer or his representative or employee of the lands in the area of authority of the Sabha as per Section 154(1) of the Pradeshiya Sabha Act, 1% tax to be recovered out of the selling price received.

When audit inspection being carried out on 19 May 2011 the Victor Gardin Land adjoining Vijitha Central College, Crown city lan at Delgalla junction are being sold. As per Rule No.60 of Pradeshiya Sabha (Administration and Financial) no register was maintained in form PS 26. Due to this particulars of recoveries rent had not been revealed.

- (b) 1% tax had not been recovered on receipts of business ventures according the previous year of tax payable year from the bank insurance agents, tourist h , guest house deepers, decorators-festivals betting centers, private classes conductors, foreign liquor, beer shop merchants, motor spare parts traders within the area of authority of the Sabha as per Section 152 of the Pradeshiya Sabha Act.

2.2.8 Issuing in compliance certificate for Telephones/Telecommunication towers.

 A sum of Rs.36,000 had not been recovered in respect issuing compliance certificate by 07 telephones/telecommunication towers presently being used within the area of authority of the Sabha as per paragraph 07 of the letter No.5/02/01/384 dated 16 December 2008 of the Director General of Urbank Development Authority.

2.3 Expenditure Structure

 The budgeted and actual expenditure and the variances of the Sabha for the eyar under review and the preceding year are given below.

Item of Expenditure	Budgeted	Actual	Variance	Budgeted	Actual	Variance
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
----- Recurrent ----- Expenditure -----						
Personal	18,128	17,219	909	16,863	4,906	11,957
Environment						
Others	10,650	15,833	(5,183)	9,830	2,553	7,277
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Sub Total	28,779	33,052	(4,274)	26,693	7,459	19,234
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Capital Expenditure	118,485	121,607	(3,122)	89,920	44,633	45,287
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Grand Total	147,263	154,659	(7,396)	116,613	52,092	64,521
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2.4 Human Resources Management

 Approved and Actual Cadre

Particulars of the approved and actual cadre of the Sabha as at 31 December 2010 are shown below.

Category of Posts -----	Approved -----	Actual -----
Staff	03	04
Secondary	18	19
Primary	31	20
Others (Casual,temporary)	04	33
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	56	76
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- (a) A sum of Rs.15,047,000 had been reimbursed from the Commissioner of Local Government during the year under review for staff salaries and members allowances. The expenditure on salaries for the year amounted to Rs.16,907,457 thus an additional expenditure amounted to Rs.1,860,457 had to be borned by the Sabha.
- (b) There were surplus of Community Development officer and three Development Assistants in the staff by exceeding approved cadre of the Sabha. Further, although the recruitment of casual and temporary employees to the Local Government Institution had been suspended by Management Services Circular No.28 of 10 April 2006 and Circular No.14 of 03 January 2002 of the Secretary to the Treasury, in contravening to these provisions 29 employees had been recruited and a sum of Rs.1,814,319 was paid out of the Sabha fund during the year under review. It had been emphasized that if recruitment was done beyond Circular instructions, the Head of the Institution should be responsible personally for that.

2.5 Assets Management

2.5.1 Accounts Receivable

The value of accounts receivable as at 31 December, 2010 aggregating Rs.42,176,369.

2.5.2 Staff Loans Recoverable

Staff Loans balances recoverable as at 31 December 2010 aggregating Rs.1,294,911.

2.5.3 Survey of Stores

The following recommendations had been made by the Boards of Survey in 2008 and 2009 whilst these recommendations were not implemented even date of audit on 19 May 2011.

- (i) Properly maintenance of stock books at Ratmale sub-offices, Public Services Development Project, also Ratmale libraries of Kumaratunga

Munidasa – Dikwella, Pre schools at Radampola, Nilwella, Kottegoda, Dikwella.

- (ii) Introducing coding system to enable identity goods under each institutions and Praeshiya Sabha.
- (iii) Taking action with regard to the deficiency of 30 articles belongs to 06 categories in articles and equipment and giving specific; lace for stores in Head Office.

2.6 Operating Inefficiencies

2.6.1 Street Lights Maintenance

- (i) When purchasing electrical accessories for street lights maintenance, the request for the necessity of the electrical maintenance technician and approval of the technical officer had not been obtained.
- (ii) No numbering or coding system for identification of street lights being maintained within the area of authority of the Sabha and when installation of electrical bulbs and other accessories, no coding system was maintained including dates of installation, trade names, marks and voltage.
- (iii) Although approved number of street lights was 186 by the Ceylon electricity Board for the year 2010, the Sabha had installed 308 street lights up to 13 June 2011. Although a sum of Rs.135,144 had been requested from the Ceylon Electricity Board, for the year under review Rs.11,262 per month only Rs.81,980 had been reimbursed. However, a sum of Rs.215,122 had been incurred out of the Sabha fund during the year under review for the above street lights maintenance thus additional amount of Rs.133,142 had to be borned by the Sabha fund.

2.7 Contract Administration

2.7.1 Bodave Dam Road - Connecting

An agreement had been signed on 20 April 2010 for the value of Rs.387,040 with Samurdhi Society, Bathigama West for this work and the following mtters were observed in connection with payment of Rs.379,164.

- (a) No plan was there to show the beginning point and the ending point specifically, the section of the road to be proposed to construct from the information in estimate or agreement.

- (b) The object of billing shoulders on the road sides by putting sold as item No.7 in the estimate had not been fulfilled even date of audit on 18 May 2011 and a sum of Rs.6,685 was paid for the said item.
- (c) This work to be completed on 29 April 2010 and item No.7 was not completed and also 10% retention money had been released to the society on 13 May 2011 treating as completed the work of the road.

2.8 Internal Audit

An adequate internal audit had not been carried out in the Institution.

3. Systems and Controls

Special attention is drawn to the following areas of systems and controls.

- (a) Accounting
- (b) Revenue Control
- (c) Fixed Assets
- (d) Stores Control