

Dimbulagala Pradeshiya Sabha
Polonnaruwa district

1. Financial Statements

1.1 Presentaion of Financial Statements

Financial Statements for the year under review had been submitted to audit on 07 April 2017 while financial statements relating to the preceding year had been submitted on 09 March 2017. The Auditor General's report relating to the year under review was sent to the secretary of the sabha on 28 June 2017.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Dimbulagala pradeshiya sabha as at 31December 2016 and Its financial performance and cash flow for the year ended in accordance with Generally accepted accounting principles.

1.3 Comments on Financial Statements

1.3.1 Accounting policies

The warehouse advance accounting system had not been followed in relation to storage.

1.3.2 Accounting Deficiencies

The following observations are made.

- (a) Total value of 14 Assets unit purchased in the year under review and preceding year amounting to Rs.1, 519,130 had not been taken to Accounts.
- (b) Commercial License Income arrears amounting to Rs.651,205 had been omitted in the financial statements.
- (c) Tender deposit balance amounting to Rs.256,310 had been omitted in the financial statements as at 31 December 2016.
- (d) Court fine receivable from chief secretary amounting to Rs .64,830 had been understated in Accounts in the year under review.
- (e) The value of mortuary which handed over to sabha by District Secretariat amounting to Rs. 5,142,857 had been omitted in the financial statements.

- (f) Although, The value of Rs.3,900,000 spent to the religious places and related infrastructure development project should be represented under the capital expenditure, it had been represented under the recurrent expenditure.
- (g) No provision had been allocated for the audit fees payable for the year under review and previous three years.
- (h) The value of 57 cemeteries in sabha area had not been estimated and accounted.
- (i) There had been a difference of amounting Rs.41,445,554 between the fixed assets value and Contribution from revenue to capital outlay account

1.3.3 Unreconciled control accounts

The following observations are made.

- (a) There had been a difference of amounting Rs.7, 895,238 between the preceding year closing balance and opening balance in the year under review related to 06 accounting subjects.
- (b) There had been a difference of amounting Rs.10, 293,064 between the relevant registers and financial statements as at 31 December in the year under review.

1.3.4 Accounts receivable and payable

- (a) Any course of action had not been taken in the year under review too,to recover fare tax income in arrears amounting to Rs.1,000,023 during the period of 3 to 6 years, represented in financial statements.
- (b) payable Industrial creditors balances amounting Rs.4,406,386 had not been settled during the period from 2 to 7 years, represented in financial statements.

1.3.5 Lack of Evidence for Audit

- (a) While replies had not been furnished up to 30 April 2017 to 6 audit queries issued preceding year,The Aggregating value of those queries amounting to Rs.71,646,655.
- (b) The value of Rs.152,193,054 in respect of 8 assets subjects,Rs.10,785,174 relevant to 3 liability subjects and Rs.1,069,745 of a revenue subject represented in financial statements had not been vouched satisfactorily in audit as not presented of relevant evidence.

1.3.6 Non -compliance with laws, rules and regulations etc.

Following Noncompliance with laws, rules and regulations are made in audit.

Reference to Laws, rules and regulations -----	Non Compliances -----
<p>(a) 1988 Pradeshiyasabha (financial and administration) rules -----</p>	
<p>(i) Rules No 59 to 63</p>	<p>No action had been taken to prepare a list of industries and trade business by conducting survey in sabha area and to collect charges according to that list.</p>
<p>(ii) Rules No 203,214,218</p>	<p>It had not been conducted a complete survey regarding the properties of the sabha.</p>
<p>(b) The Establishment Code of the Democratic Socialist Republic of Sri Lanka -----</p>	
<p>(i) Sub-clauses 5.2.1 in chapter xix</p>	<p>Although 12.5% of house rent should be collected from basic salary of married officer, As the under collecting of rent from lady officer occupied in assigned quarters of secretary, a sum of Rs 38,180 loss had been occurred to sabha.</p>
<p>(c) The Financial Regulations of the Democratic Socialist Republic of Sri Lanka -----</p>	
<p>(i) F.R. 396(e)</p>	<p>According to the bank reconciliation statements as at 31 December 2016, no action had been taken regarding 114 un presented cheques amounting to Rs. 1,049,533 within the period of 06 months.</p>
<p>(ii) F.R.571 and 572</p>	<p>Actions had not been taken for Tender deposits amounting to Rs.419, 920 deposited before 2 to 8 years.</p>
<p>(iii) F.R. 754</p>	<p>Stock Register had not been maintained for receiving and issuing electric items in the year under review.</p>

(iv) F.R. 1645(a) and (b)

While the vehicle repairs, services, and purchasing of parts amounting to Rs.171,256 had not been recorded in log recording books, and running chart had not been updated relevant to 17 vehicles in the year under review.

(d) Circulars and circular letters

(i) Letter No.NCP/LG/AC/4/1/2 dated 18 may 2015 of commissioner of local government

Although the official vehicle allocated for the Chairman had been allowed to use for Secretaries with maximum fuel limit of 150 liters per months with effect from the December 2015, Secretary had used 2388 liters of fuel amounting to Rs.226,860 exceeding that limit

2. Financial Review

2.1 Financial Result

According to the financial statements presented, Excess expenditure over recurrent income of the Sabha for the year ended 31 December 2016 amounted to Rs.12, 233,446 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.14, 098,539.

2.2 Revenue Administration

2.2.1 Estimated income, actual income and deficit income

Following are the details of the estimated revenue, actual income and deficit of income submitted by the Secretary in respect of the year under review.

Source of income	Estimated income In year 2016	Actual income	Accumulated deficit as at 31 December 2016
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	Rs.	Rs.	Rs.
Assessment and tax	25,866,000	14,876,798	7,053,119
rent	13,938,656	3,012,375	837,174
License Charges	694,000	823,505	1,438,570
others	12,754,400	8,827,328	6,646,487

2.2.2 Rates

Although billed Rates amounting to Rs.16, 241,253 in the year, only 77 percentage income amounting to Rs.12, 523,317 had been collected. Opening balance of the year was outstanding to Rs.5, 688,663, out of that only 41 percentage of income amounting to Rs.2,353,480 had been collected during the year. Action had not been taken to recover the arrears income according to the clause 158 of the Act..

2.2.3 Rent

Rent income had been billed during the year amounting to Rs.3, 818, 999, out of that 98 percentage income amounting to Rs.3, 759,489 had been collected. Also opening balance amounting to Rs.894, 281 in the year under review and out of that sum of Rs.777, 664 was in arrears up to the year ended. Action had not been taken to collect that amount according to the agreement.

2.2.4 License charges

License charges arrears opening balance of the year was amounting to Rs.1, 454,855 out of that it had been collected only very low balance similar to one percentage amounting to Rs. 16,825.

2.3 Idle and under-utilized assets

- (a) The Equipment set of rice flour processing valued at Rs.5,41,000 which had been given by Chief Ministry of North Central Provincial Council to the Pradeshiya Sabha in the year 2007 remained idle for more than 10 years.
- (b) Pradeshiya sabha had been spent Rs. 939,167 in the year 2014 for laying foundation and constructing beams of 06 boutiques. It was observed that convolution iron and soft iron bars were getting corrode as they exposure to the sunlight and rain. and foundations are destructing as 2 years had passed since of constructing.

3. Operational Review

3.1 Management Inefficiencies

The following observations are made.

- (a) The employee loan amounting to Rs.430,581 due from 07 officers had been arrears during 1 to 8 years and action had not been taken to recover that amount.
- (b) According to electric item issuing register in the year 2015 there should be a balance of 414 bulbs amounting to Rs.186, 380as at 14 February 2017, but those bulbs had not been in physically and action had not been taken to recover the loss from responsible person.

- (c) Although a sum of Rs.4, 996,731 had been paid to garbage management during the year under review, action had not been taken to recover garbage tax.
- (d) Wrong salary details had been issued to Lady Officer Who is working in Sabha and to an officer transferred to Dimbulagala Zonal Education office for getting bank loan exceeding the limit of 40 percent of salary
- (e) While 360 galvanized pipes received to the sabha as at 16 December 2014, had been taken away and not return by the ex-members of sabha to the date of 14 February 2017. Action had not been taken to relevant responsible persons.
- (f) Number of 200 Manu readers(Water) Books from number 3981 to 4180 had not been recorded in sub bills book issuing register.

3.2 Solid waste management

No actions had been taken during the year to legally acquire the land of 05 acres situated in aralaganwila Dambagaha Ulpatha area given by Mahawali Development authority in the year 2012 for the releasing of garbage.it was observed that more than 7.5 tons of collected garbage released to the open land without any regular method, Environment and health problems such as wild life been in around this garbage, spreading very bad smell in the whole area is taken place. Any course of action had not been taken by sabha to starting regular garbage management procedure as soon as possible.

3.3 Human resources management

There were 53 employers in excess in 2 posts belong to secondary level, 35 posts of primary level and 16 posts of casual employees.And duty had not been assigned according to their appointment letters.

3.4 Internal Audit

While Internal Audit had not been conducted in the sabha and satisfactory level of Audit had not been done by the investigating officers.

4. Systems and controls

Special attention needed in the following areas of controls.

- (a) Fixed Assets management
- (b) Revenue Administration
- (c) Human resources management
- (d) Debt / Creditor Control.
- (e) Internal Control.
- (f) Vehicle Control