

Dehiattakandiya Pradeshiya Sabha

Ampara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2016 had been presented to audit on 30 March 2017 and the financial statements for the preceding year had been presented on 25 April 2016. The Report of the Auditor General for the year 2016 had been forwarded to the Secretary of the Sabha on 16 August 2017.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in Paragraph 1.3 of this report the financial statements give a true and fair view of the financial position of the Dehiattakandiya Pradeshiya Sabha as at 31 December 2016 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following accounting deficiencies are observed.

- (a) Even though, a sum of Rs.400,000 had been incurred for 07 trade stalls constructed by the Sabha in the year under review, that expenditure had been shown as Rs.84,000 in the fixed assets accounts.
- (b) Even though, a sum of Rs.35,271,561 had been incurred for the constructions of the buildings during the year under review a sum of Rs.6,983,152 only had been brought to account under land and buildings in the fixed assets accounts.
- (c) Even though, the value of 05 motor vehicles provided by the Ministry of Provincial Councils and Local Government to the Sabha amounted to Rs.59,719,729, it was shown as Rs.26,000,000 in the accounts. As such the value of the vehicles had been understated by Rs.33,719,729.
- (d) The security deposits obtained from the lease holders to construct 49 new trade stalls by the Pradeshiya Sabha amounting to Rs.7,350,000 had not been accounted in the deposit account and as such the value of the deposits in the balance sheet had been understated by above amount.

- (e) Even though, the balance of the arrears of court fines as at 31 December 2016 amounted to Rs.213,792, the arrears of court fines had been shown as Rs.80,292 in the balance sheet. As such the balance of the arrears of court fines had been understated by Rs.133,500.

1.3.3. Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances with laws, rules and regulations and management decisions were observed.

Reference to Laws, Rules, Regulations etc.	Non-compliance
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(a) Pradeshiya Sabha Rules 180	Three officers who performed duties as in charge of cash and stores and collection of revenue had not furnished Security.
(b) Public Administration Circulars No.30/2016 (03, 01)	Fuel consumption tests had not been carried out in respect of 17 motor vehicles of the Sabha.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the operations of the Pradeshiya Sabha for the year ended 31 December 2016 had resulted in an excess of revenue over recurrent expenditure amounted to Rs.4,095,504 as compared with the corresponding excess of revenue over recurrent expenditure amounting to Rs.4,265,047 in the preceding year. Accordingly, a decline of Rs.169,543 was shown in the financial results.

2.2 Analytical Financial Review

In analyzing recurrent revenue for the year under review as compared with that for the preceding year, an increase in a range from 13 per cent to 30 per cent was shown with regard to the revenue sources such as lease rent, licence fees, service charges and a decrease in a range from 03 per cent to 22 per cent was shown with regard to the revenue sources such as rates and taxes, warrant charges and fines, other revenue and grants.

In analyzing recurrent expenditure for the year under review as compared with that for the preceding year, an increase of 04 per cent was shown with regard to the salaries and allowances and a decrease in a range from 06 per cent to 50 per cent was shown with regard to the

expenditure items such as travelling, supplies and equipment, repairs to capital assets, transport and pension payments.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information with regard to the Estimated Revenue, Actual Revenue and Arrears of Revenue for the year under review as furnished by the Chairman is shown below.

Item of Revenue	Estimated Revenue for the year 2016	Actual Revenue for the year 2016	Accumulated Arrears as at 31 December 2016
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	Rs.	Rs.	Rs.
Rates and Taxes	1,578,956	1,623,639	1,783,805
Lease Rent	5,926,450	5,835,636	30,855
Licence Fees	1,346,500	1,565,378	78,450
Service Charges	765,000	527,055	-
Warrant Charges and Fines	1,253,000	892,480	80,292
Other Revenue	390,000	323,523	-

2.3.2 Rates and Taxes

The last assessment of rates had been made by the Sabha in the year 2011 while the recovery of rates for the year under review too had been made on the basis of the assessment of rates made in that year.

As per the Register of Rates and Taxes, the value of the arrears of rates and taxes as at 31 December 2016 amounted to Rs.1,783,805. While action had not been taken by the Sabha for recovery of those money.

2.3.3 Stamp Fees

A sum of Rs.46,000 should have been received as stamp fees as at 31 December 2016 from the Registrar General.

3. Operating Review

3.1 Management Inefficiencies

The following matters were observed.

- (a) The “Nawara” cab vehicle given to the Sabha by the Ministry of Local Government and Provincial Councils had not been registered on the due date. As such a sum of Rs.155,650 had to be incurred as fines for the period from the year 2012 to 2016.
- (b) As not obtaining the revenue licences on due date for 05 vehicles belonging to the Sabha a fine of Rs.11,600 had to be paid.
- (c) Action had not been taken for vesting of the ownership of 04 motor vehicles in the name of the Sabha which provided by Mahaweli Authority, Department of Public Finance and Office of the Commissioner of Local Government, Eastern Provincial Non-government Organization.
- (d) Action had not been taken up to now to settle the advances amounting to Rs.40,000 given by the Sabha to the Sandunpura Gramodaya Mandalaya and Namaloya Pradeshiya Sabha in the year 1998.

3.2 Idle and Underutilized Assets

Two cab vehicles, a four wheeler tractor and 02 tractor trailers belonging to the Pradeshiya Sabha had remained idle for the period from 05 years to 07 years. Action had not been taken to repair the vehicles which could be repaired and to dispose the vehicles which could not be repaired.

4. Accountability and Good Governance

4.1 Budgetary Control

Variances ranging from 07 per cent to 171 per cent was observed between the budgeted expenditure and the actual expenditure in the year under review, thus indicating that the budget had not been made use of as an effective instrument of management control.

4.2 Annual Procurement Plan

A Procurement Plan for the year 2016 had not been prepared by the Sabha in terms of National Budget Circular No.128 issued on 24 March 2006.

5. Systems and Controls

Special attention of the Sabha is needed in respect of the following areas of systems and controls.

System	Area needed attention
(a) Accounting	- Accounting of assets.
(b) Revenue Administration	i Recovery of arrears of revenue.
	ii Imposing of by-laws.
	iii Identification of revenue sources.
(c) Budgetary Control	- Execution of budget estimates.
(d) Stores Administration	- Storing of goods in a manner to check accuracy quickly.
(e) Assets Control	- Vesting of ownership of the fixed assets.