

Dehiaththakandiya Pradeshiya Sabha

Ampara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented for audit on 19 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman on 28 September 2018.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements of the Dehiaththakandiya Pradeshiya Sabha give a true and fair view of the financial position as at 31 December 2017 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 matters were observed.

- (a) The stamp fees of Rs. 16,000 for the year under review had not been brought to account and as such revenue of the year had been understated by a similar amount.
- (b) The stamp fees of Rs. 77,000 receivable for the period 2014 to 31 December 2017 had not been brought to account and as such the current assets had been understated by a similar amount.

- (c) The security deposits of Rs. 7,350,000 obtained in 2016 for construction of 49 stalls had not been shown in the financial statements and as such the liabilities had been understated by a similar amount.
- (d) The Dehiaththakandiya crematorium valued at Rs. 25,523,500 constructed in 2013 under the Deyata Kirula Project had been vested with the Sabha on 03 February 2016. However, this value had not been shown in the financial statements resulting in an understatement of fixed assets by a similar amount.
- (e) The sum of Rs. 896,594 payable as at 31 December 2017 in respect of 02 projects executed during the year under review had not been shown as creditors resulting in an understatement of assets by a similar amount.
- (f) The activities relating to the purchase of plastic cutting machine at the Lihiniyagala Garbage Management Centre had not been completed even by 31 December 2017. But, a sum of Rs. 1,000,000 had been shown as work creditors resulting in an overstatement of liabilities by a similar amount.
- (g) The contractor who obtained the contract for refurbishment of the Dehiathtakandiya week end fair building in 2017 had abandoned the contract. The performance bond of Rs.58,000 recoverable had not been shown as an asset.

1.3.2 Non-compliance with Laws, Rules, Regulations and Management Decisions

 Instances of non compliance with laws, rules, regulations and management decisions appear below.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance
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	Rs.	
(a) Predeshiya Sabha Rules 180 and 181	-	Security deposits had not been obtained from officers of the Sabha

who deals with collection of revenue, administration of stores, signing of cheques etc.,

- | | | | |
|-----|--|-----------|---|
| (b) | Public Administration Circular No. 30/2016 of 29 December 2016 | - | Fuel had not been tested in respect of 04 vehicles of the Sabha. |
| (c) | Treasury Circular No. IAI/2002/02 of 28 November 2002 | 1,698,000 | A register of computers and computer accessories had not been maintained. |

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 2017 amounted to Rs.6,587,392 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.4,095,504.

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	2017				2016			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
	Rs.00'	Rs.00'	Rs.00'	Rs.00'	Rs.00'	Rs.00'	Rs.00'	Rs.00'
Rates and Taxes	1,544	1,596	1,116	2,264	1,579	1,624	2,481	1,784
Rent	8,118	8,830	8,351	521	5,926	5,836	5,805	42
Licence Fees	1,441	1,804	1,815	20	1,346	1,565	1,595	32
Other Revenue	1,833	2,306	2,198	188	2,308	1,743	1,766	80

2.2.2 Performance in Collection of Revenue

The total revenue recoverable by the Sabha as at 31 December 2017 amounted to Rs.16,474,513. A sum of Rs.13,480,299 had been recovered during the year. Accordingly, it was observed that the collection of revenue was 82 per cent.

2.2.3 Rates and Taxes

The rates and taxes recovered for the year under review were on the basis of assessment made during 2011. The arrears of rates and taxes as at 31 December 2017 as per register of arrears of rates and taxes amounted to Rs.2,264,129. Action had not been taken to recover arrears.

2.2.4 Rent

Action had not been taken to recover arrears of rent amounting to Rs.521,085 as at 31 December 2017.

2.2.5 Licence Fees

Action had not been taken to recover the unpaid licence fees of Rs.20,500 as at 31 December 2017.

2.2.6 Court Fines and Stamp Fees

Court fines and stamp fees receivable from the Secretary of the Provincial Council and other authorities as at 31 December 2017 amounted to Rs.188,500 and Rs. 77,000 respectively.

3. Operating Review

3.1 Management Inefficiencies

The following matters were observed.

- (a) Advances of Rs. 25,000 and Rs.15,000 granted to the Sandunpura Gramodaya Mandalaya oday and the Namal Oya Predeshiya Sabha had not been settled even by 2018.

- (b) Revenue licences had only been obtained for 10 out of 20 vehicles of the Sabha which were in running condition. Revenue licences had not been obtained for rest of the 07 vehicles.
- (c) The contractor who obtained the contract for refurbishment of the Dehiaththakandiya week end fair had not completed the work and the performance bond of Rs. 58,000 recoverable from him had not been cashed even by 23 May 2018.

3.2 Human Resources Management

Vacancies of 11 officers in 8 posts of the cadre remained vacant as at 31 December 2017.

3.3 Operating Insufficiencies

The following matters were observed.

- (a) The licence fees of Rs.21,000 recoverable for the year had not been recovered for 07 telecommunication towers within the authoritative area of the Sabha.
- (b) The monthly rent of 5 stalls of the Sabha had been based on the assessment made in 2008. Action had not been taken by the Sabha to recover revenue on the basis of new assessment rates.

3.4 Assets Management

3.4.1 Unattended maintenance and Repairs

Ten vehicles of the Sabha which needed repairs remained parked in the premises of the Sabha without being repaired.

3.4.2 Assets not Acquired

The following matters were observed.

- (a) Action had not been taken to acquire ownership of 06 vehicles granted to the Sabha by the Mahaweli Authority, Non Governmental Organizations and the Ministry of Finance.
- (b) The ownership of 26 playgrounds consisting of a total extent of 32.67 acres granted to the Sabha by the Mahaweli Authority had not been acquired.
- (c) The Mahaweli Authority had granted 34 blocks of land with a total extent of 37.9 acres to the Sabha which had been used as crematorium. The extent of the land had not been computed whereas action had been taken to acquire 2 blocks of land.

3.4.3 Idle and under utilized Assets

The Dehiaththakandiya swimming pool constructed under the Deyata Kirula programme in 2013 by spending Rs.39,500,094 had been vested with the Sabha on 27 February 2018. However, this had not been declared open for use of the villagers even by 23 May 2018.

3.4.4 Vehicle Utilization

The tipper of the Sabha valued Rs. 6,009,602 in running condition had performed 105 kilometres only during the year under review.

3.5 Procurement

3.5.1 Procurement Plan

The Sabha had not prepared an annual performance plan for 2017 in terms of the circular No.128 of the National Budget Circular dated 24 March 2006.

4. **Accountability and Good Governance**

4.1 **Budgetary Control**

Variances ranging from 09 percent to 62 percent existed between the budgeted and the actual expenditure of the year under review showing that the budget had not been used as an efficient instrument of management control.

5. **Systems and Controls**

Deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of control.

System	Deficiency
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(a) Revenue Administration	(i) Non-recovery of arrears of revenue
	(ii) Bye-laws not being enacted.
	(iii) Lack of identifying the sources of revenue.
(b) Budgetary Control	Lack of proper preparation of budget.
(c) Stores Administration	Lack of proper storage of goods.
(d) Assets Control	Ownership of fixed assets not being acquired.
(e) Accounting	Assets not being brought to account.