

Dimbulagala Pradeshiya Sabha
Polonnaruwa District

1. Financial Statements

1.1 Presentation of Financial Statements.

Financial Statements for the year 2017 had been submitted to audit 29 on March 2018 while the on Auditor General's report was sent to the chairman of the sabha on 19 September 2018.

1.2 Qualified Opinion

In my Opinion, except for the effects of the matters described in paragraph 1.3 of the report, the financial statements give a true and fair view of the financial position of the Dimbulagala Pradehiya Sabha 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 Policies

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

1.3.2 Accounting Deficiencies

The following observations are made.

- (a) Capital cost of the New Pradeshiya sabha office building in which works completed in the year under review and the value of Rs.5,140,857 of Vijayabahupura crematorium in which works completed in previous year had not been capitalized.
- (b) Maithree Play ground, 02 fairs of grounds and 50 cemeteries had not been valued and accounted.
- (c) The construction value of Rs.1, 649,384 of the office garage and value of barbed wire fence and gate of Aralaganvila fair amounting to Rs. 5,065,504 had not been capitalized.
- (d) Even though the rice flour processing tool set amounting to Rs.541,000 which had donated by Department of local Government to sabha in 2008 had been given to army machinery unit at 14 November in the year under review, this value had not been removed from the accounts.
- (e) The value of finger print machine amounting to Rs.74, 500 and value of Rs.60, 925 of the intercom system had not been capitalized
- (f) Even though It had been reimbursed Rs.2, 471,241 in the year under review for the salary of last year December, this amount has been represented as debtors in the balance sheet up to now.

- g) Total value of the Electric item amounting to Rs.247,695 had been represented in financial statement as Rs.168,910 by under stating Rs.78,785 as at 31 December in the under review
- j) Construction value of Manampitiya fair building amounting to Rs.1,543,510 had been accounted as recurrent expenditure from the year 2013 and It had not been corrected in financial statement in the year under review too.
- h) Value of received book amounting to of Rs.193,515 for Manampitiya and Nuwargala libraries in the year under review had been accounted as Rs.213,360 by over stating Rs.19,845.
- i) Receiving and payable value of Rs.7,272,878 for 10 development project was done under various provision has not been accounted under the industrial debtors and industrial creditors in the year under review.
- j) As the value of several previous years capital income Rs.3,984,405 had included in current year capital income of Rs.5,640,443, current year income had been overstated by that amount.
- k) The value of demolished water tank of Allewewa fair amounting to Rs.178, 845 had not been removed from account.

1.3.3 Unreconciled Account

There had been a difference of Rs.3,453,538 relevant to 06 accounting subjects between the represented value of financial statements and annexes presented with financial statements.

1.3.4 Lack of Evidence for Audit

The value of Rs.157, 538,297 in respect of 10 accounting subjects could not be satisfactorily vouched in audit due to non-submission relevant information.

1.3.5 Accounts Receivable and Payable

The following observations are made.

- (a) Action had not been taken to collecting arrears fair tax income amounting to Rs. 1,000,023 represented in financial statement during the period from 4 to 7 years.
- (b) Payable industrial creditors balances amounting Rs.4, 406,384 represented in financial statement from 2009 to 2014 had not been in settled.

1.3.6 Non - Compliances

Non - Compliances with Laws, Rules, Regulations and Management Decisions

Following Non compliances with laws, rules, regulation and management decision are observed.

Reference to laws, rules and regulations and management decisions	Values	Non Compliance
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	Rs.	
(a) National Environmental Act No.47 of 1980		Actions had not been taken against 48 institutions operating without obtaining environmental certificates.
(b) 1988 Pradeshiya sabha (Financial and administration) rules		
(i) Rules No.59 to 63		No action had been taken to prepare a list of industries and trade business by conducting a survey in sabha area.
(ii) Rules No.119 to 121		It had not been passed by laws for renting weekly fair.
(iii) Rules No.180		No action had been taken to take guarantee from officers in charge of money, property, stamps etc.
(iv) Rules No.197		Correctness of the Stock keepers books, recorders, and charts had not been inspected and certified by secretary.
(v) Rules No.203		It had not been conducted a annual survey regarding the 23 vehicle for many years.
(vi) Rules No.212		Even though Every purchasing item should recorded in inventory books, there was a difference of 631 units in between inventory book and physical balance relevant to 17 electric and other items.
(c) The Financial Regulation of the Democratic Socialist Republic of Sri Lanka		
(i) F.R. 177(1)		Revenue officers had spent 03 to 19 days period to hand over daily collection money to sabha even though it should needed to hand over them daily.

(ii)	F.R. 343		No any action had been taken against the responsible officer regarding missing of subsidiary records forms.
(iii)	F.R. 396	37,947	No any action had been taken regarding 08 un presented cheques exceeded 06 months.
(iii)	F.R. 802 (3)		Sabha had not maintained vehicle information such as purchasing date, repair cost, idle time etc.
(d)	Treasury Circulars IAI /2002/02 and dated 28 November 2002		The fixed assets register had not been maintained for computer, software and hardware .
(e)	Circular of commissioner of local government		
(i)	Circular No1980/46 and dated 31 December 1980		Stalls had not been valued by sabha and rent has been collected by using 1992 valuation.
(ii)	Letter No. NCP/LG/AC/04/01/02 dated 04 December 2015	209,095	Exceeding approved amount 2201 liters of diesel had been used by secretary for the period January to December in the year under review.
(f)	Supplement 25 for procurement Guidelines dated 22 July 2012	40,500	Even though procurement committee members payment valid to pay only when procurement value exceeding Rs.2 million, 12 times it had been paid members when procurement value not exceeding 2 million at 12 times.

2. Financial Review

2.1 Financial Result

According to the Financial statements presented, excess revenue over the recurrent expenditure of the sabha for the year ended 31 December 2017 amounted to Rs. 9,190,619 as compared with the corresponding excess of expenses over the recurrent revenue for the preceding year amounting to Rs.12, 233,446.

2.2 Revenue Administration

2.2.1 Estimated income, billed income, collected income and deficit income

Following are the details of the estimated income, billed income, collected income and deficit income for the year under review and preceding year.

Source of income	2017				2016			
	Estimated Income	Billed Income	Collected Income	Deficit As at 31 December	Estimated Income	Billed Income	Collected Income	Deficit As at 31 December
(i) Rate and Tax	17,070,200	22,580,761	21,187,110	8,446,840	25,866,000	17,605,708	16,241,253	7,053,118
(ii) Rent	9,509,256	3,633,389	3,519,609	1,383,203	13,938,656	3,761,892	3,818,999	837,174
(iii) License fees	2,792,000	2,783,037	2,793,477	2,065,779	5,513,000	2,310,283	2,326,568	1,438,570
(iv) Other Income	8,109,400	10,984,334	3,970,325	13,660,545	79,354,000	11,310,036	8,979,256	6,646,487
Total	37,480,856	39,981,521	31,470,521	25,556,367	124,671,656	34,987,919	31,366,076	15,975,349

2.2.2 Performance of the Revenue Collection

Although estimated income for the year under review amounting to Rs.37,480,856, collected income was only amounting to Rs.31,470,521. Total deficit income for the 31 December in the year under review was Rs.25,556,367.

2.2.3 Rent

Following observations are made.

- For 17 stalls a valid agreement had not been signed.
- Since there were no valid agreement it was unable to collect rent income and there was a Rs.246,020 arrear of rent relevant to 11 stalls as at 31 December 2017.
- According to the agreement with tenant of Aralaganwila fair, all rent charges should have been paid before 31 May 2017. But there were arrears of Rs.137,160 as at 31 December 2017.

2.2.4 Other Income

Arrears income of the 04 water projects of the sabha had been amounted to Rs.7,371,366 as at 31 December in the year under review.

2.2.5 Court Fines and Stamp Duties

The court fines and stamp duties receivable from chief secretary and other authorized officers amounting to Rs.12,904,995 and Rs.755,500 respectively as at 31 December 2017.

3. Operational Review

3.1 Performance

According to the section 03 of the pradeshya sabha act No:15 of 1987 sabha should concerned to formalized and control public health, common utility services, common road system, common wealth of the people, convenience, and welfare of the people. when sabha had been doing their main duties following observations are made.

(a) It had been developed other roads without developing 53.5km distance road in 14 grama niladari areas for which approval had been received from chief minister under the provincial road development project

(b) By Laws

According to the section 126 of pradeshya sabha Act it had not passed by laws for doing major task and had not acquired the by laws approved by the minister of Local government.

(c) Action Plan

They had not prepared action plan for their duties since by laws had not been identified.

(d) Solid Waste Management

(i) No action had been taken to legally acquire the land of 05 acre situated in Aranaganwila Dambagahaulpatha area given by Mahavali Development Authority in the year 2012 for garbage dumping.

(ii) It was observed that more than 7.5 tons of collected garbage released to open land without any regular method.

(iii) Even though waste management project report had been prepared in the year 2016, it was not started up to the end of the year under review.

(iv) According to the authority no. 42 of public protection act publicized in gazettes No. 2015/33 and dated 20 April 2014, garbage releasing, collecting, temporarily storage, reprocessing, portioning, actioning, releasing, and selling are named as necessary services should be done by institute of local Government but sabha had not turn proper attention toward them.

(e) Sustainable Development Goals

Sabha has not any knowledge about sustainable development '2030' agenda and there for it had not taken any action to

- i). Identifying sustainable development objectives and goals
- ii). Identifying index for measuring goals.
- iii). Allocating provision for above goals and including in action plan and Identifying Human and physical resources.
- iv). identifying stake holders regarding sustainable development goals.
- v). Identifying, collecting, storing data to measuring identified objectives and goals at the date of 02 May 2018

3.2 Management Inefficiencies

- (a) Although Sabha had been earned Rs.1, 356,430 by rendering backhoe, motor grader, stone roller, water bowser, and gully bowser, it had not maintained revenue register.
- (b) According to the board of survey report of the previous year, 240 items had not been included in inventory book up to 11 December 2017.
- (c) No action had been taken regarding un presented of 21 used revenue bill books and receipt book by relevant officer.
- (d) State Logo and Name of the Sabha had not been exhibited in 03 vehicles.
- (e) Some employees had been assigned to same water project for 6 to 10 years without transferring according to annual transfer policy.
- (f) Item and instrument amounting to Rs. 1,518,628 purchased for Construction of vehicle garage under the direct labors had been issued without recording in inventory books.

3.3 Human resources management

- (a) There were 11 vacancies in secondary level, 07 posts in primary level and excess in 12 posts in primary level. 16 casual and temporary employees had been recruited without any approval in the carder.
- (b) Although 06 permanent employees have spent 06 to 08 years period from the date of appointment, Sabha had not taken any action confirm their service.
- (c) The employee loan amounted to Rs. 320,594 due from 05 transferred and pensioned officers in 2012 to 2017 period had not been recovered.

3.4 Operational Inefficiencies

Following observations are made

- (a) Proper advertisements had not been presented and public quotation had not been called for renting 10 assets.
- (b) Receiving and issuing order had not been used for purchasing goods.

- (c) There were consumer complaints relating to irregular and insufficient water supply for corner village due to deficiencies of pipe laying of the water projects and the Sabha had not taken any action to provide the new water connections even though there were about 270 request applications for obtaining water connections from the water projects implemented by the sabha.
- (d) The Water Tank with the sand filter has been abandoned from using due to collapse of concrete layer connected with filter of the tank in February 2018 because of the water tank had not been constructed to the proffer standard in Siripura under the Puraneguma project to the cost of Rs8,179,425 during the year 2015. Also water project is not in a position to use due to the not operating of the Non-returnable valve of motor.
- (e) It had been mixing chlorine daily without following bottles down step in purifying water of the Sabha owned water projects in Dimbulagala Veheragala and Siripura. The process of purifying water had been failed due to not replacing sand layers instead of the existing sand layers over 30 years to the sand fitters of the water projects.

3.5 Assets Management

- (a) Idle and under-utilized assets.
 - (i) 06 building belongs to sabha worth of Rs.2, 087,037 had been kept idle.
 - (ii) Chlorinated machine systems of Nuwaragla, Weheragala and Siripura water project had not been worked.
 - (iii) Concrete Mixture machine value of Rs.243,750 given by rural road development project for repair roads in 20 January 2014 had been kept idle up to 29 August 2018.
- (b) Annual Board of Survey
 - (i) According to the rules 214 of 1988 pradeshiya sabha (financial and administration) rules it should be needs to do completed survey regarding property of sabha but such a survey had not been done for the year 2017 up to April 2018. Also survey had not been done regarding books of 2 libraries of the sabha.
 - (ii) According to the rule 218 of 1988 pradeshiya sabha (financial and administration) rules it should be needed to done annual survey regarding land and building but such a survey had not been done.

(c) Assets given to External parties

 Even though external party had been conducting a preschool in weheragala pre school building of sabha which values Rs.127,032 without a formal agreement. Further monthly rental had not been collected for that building.

(d) Improper Used of un acquired assets

 It had not deeds or transfer certificate for any land used by sabha.

3.6 Irregular transactions

 Following observations are made

- (a) It had been paid Rs.40, 875 during the year under review as the 50 percent the inspection fees charged to the officers who are participating for the field inspection without gazetting the inspection fees charge in issuing street line certificates and non-acquisition certificates according to the local government circular No 20 of 2002 date 24 July 2002.
- (b) It had been paid Rs.40,500 tender meeting allowances at 12 times during the year under review for the tender board meeting held during the office hours, even though the meeting should be held after the office hours for obtaining allowances.

3.7 Identified losses

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- (a) According to the letter of the Director General of Divinaguma Development Department DDD/HO/3/ACC/LG and dated 17 November 2014, 360 Galvanized pipes received to Sabha in the year 2014 had been issued to former chairman and 06 members of the Sabha but these pipes had not been returned for 03 years.
 - (b) 10 Laptop purchased by Sabha for Rs. 1,299,890 in the year 2015 had been issued to former members of the Sabha and had not been returned by Sabha and action had not been taken to return them although 2 1/2 years had been lapsed after dissolution of the sabha.
 - (c) When chief librarian of the Manampitiya library handed over library to sabha as at 10 October 2015 there was a shortage of 2246 books and no action had been taken regarding this.
 - (d) 1077 water meter Weheragala ,Siripura and Nuwaragala water project had been inactive during 1 to 12 months period and water charges had been collected at a gross rate and not for real consumption. Therefore water project had been lost during long time.

3.8 Visible Corruption

There had been a financial corruption of the transferred money amounted to Rs.2,625,660 out of Rs.5,444,137 by water project offices to sabha during the period of June 2016 to June in 2017 and Rs.16,720 of Siripura water project but any proper action had not been taken up to date as at 28 April 2018.

3.9 Procurement

3.9.1 Procurement Plan

A sum of Rs.6,965,702 had been allocated to capital expenditure in the year under review. But procurement plan had not been prepared.

3.9.2 Contract Administration

Following observations are made

- (a) Approval of engineer and commissioner of local government had not been taken for engineer estimate valued to Rs.3,539,156 prepared by technical assistant for construction of vehicle garage.
- (b) Estimate had not been prepared and approved for 20 provincial road development projects.
- (c) Pradeshiya Sabha had been prepared Rs.11, 579,412 estimates for construction of 12 stalls and spent Rs.939, 167 for laying foundation and construction beams of 5 stalls in the year 2014. But stalls had not been built up to end of the under review too.

4. Accountably Good Governness

4.1 Internal Audit

Internal audit had not been conducted for the year under review.

4.2 Audit and Management Committee

Audit and Management committee had not been established and conducted in by sabha for the year 2017.

4.3 Budgetary Control

Even though it had been allocated Rs.4, 010,000 for the approved project under the road development project, It had been spent only Rs.1, 832,810 for that projects. There was an unused balance of Rs.2, 177,690 in the year ended.

5. System and Control

 The deficiencies observed in the audit have been forward for the attention of Sabha from time to time. The special attention has to be given further for the following areas of control.

<u>System</u>	<u>Deficiency</u>
(a) Fixed assets control	(i) Fixed assets had been under-utilized. (ii) Fixed Assets had not been capitalized. (iii) Ownership of some assets had not been acquired.
(b) Accounting	(i) Some books, registers, records had not been properly updated.
(c) Revenue administration	(i) Arrears income had not been collected. (ii) Tax agreement had not been regulated. (iii) Internal control had not been done.
(d) Debtors and creditors control	(i) Debtors and creditors had not been accounted correctly. (ii) Debtors and Creditors had not been settled .
(e) Internal control	(i) Internal audit had not been done. (ii) Audit and Management committee had not been conducted .