

Deraniyagala Pradeshiya Sabha
Kegalle District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to audit on 28 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman on 31 July 2018.

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 Deraniyagala Pradeshiya Sabha as at 31 December 2017 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The value of 03 land blocks in extent of 01 acre, 03 Roods and 26 perches belonging to the Sabha, had not been assessed and brought to account.

1.3.2 Unreconciled Accounts

The balances of 07 items of accounts as per financial statements amounted to Rs.87,793,506 whereas the balances amounted to Rs.81,049,292 as per subsidiary registers/ reports resulting a difference totalling of Rs.6,744,214.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

The value of the balances of receivable accounts older than 01 year as at 31 December 2017 totalled to Rs.4,185,292.

(b) Accounts Payable

The value of the balances of payable accounts older than 01 year as at 31 December 2017 amounted to Rs.26,788,268.

1.4 Non-compliances

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

The instances of non-compliance with laws, rules, regulations and management decisions are given below.

<u>Reference to Laws, Rules, Regulations and Management Decisions</u>	<u>value Rs.</u>	<u>Non-compliance</u>
(a) Section 158(1) of the Pradeshiya Sabha Act No.15 of 1987	556,826	Whenever defaulting of payments of acreage tax, action should be taken to impose a restraining order for the properties of the respective place and to recover acreage tax. Nevertheless, action had not been taken to recover arrears of acreage tax.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka		
Financial Regulation 571	649,575	Action had not been taken on lapsed deposits relating to the period from the year 2008 to 2015.

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.8,759,325 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.2,174,378.

2.2 Revenue Administration

Estimated Revenue, Billed Revenue, Collected Revenue and Arrears of Revenue

The information with regard to the estimated revenue, billed revenue, collected revenue and the arrears of revenue furnished for the year under review, and for the preceding year appears below.

Source of Revenue	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and	5,685,830	6,389,414	4,786,702	1,602,712	5,641,340	5,686,446	4,335,414	1,351,032

	Taxes								
(ii)	Lease Rent	4,722,200	4,772,278	4,676,778	95,500	4,559,350	4,433,899	4,417,411	16,488
(iii)	Licence fees	607,600	750,080	750,080	-	377,250	707,878	707,878	-
(iv)	Other Revenue	106,762,030	75,355,738	31,484,538	43,871,200	78,193,664	63,372,595	21,030,461	42,342,134

2.2.2 Performance in Collection of Revenue

A comparison of the estimated revenue of the year under review with the revenue collected showed an increase in the revenue collected from licence fees by 23 per cent while the revenue collected from rates and taxes and other revenue had decreased by 16.1 per cent and 71 per cent respectively.

2.2.3 Rates and Taxes

Even though, the action should be taken from time to time to identify and notify the developed areas from which could have been recovered rates and taxes, action had not been taken thereon for last 10 years.

2.2.4 Trade Licences

(a) Licence fees

As per the Register of Revenue Licence the money had been recovered for trade licence for 806 places which should be paid industries and business taxes. But only 165 licences had been issued. Accordingly, it was not confirmed that, 641 institutions had maintained the business places with required qualifications even by 11 December 2017. Similarly, the surveys had been conducted on the business places which should pay industries and business tax during the year under review and 579 places only had been identified. In comparing the revenue licence register with 806 places of revenue recovered 227 places had been missed and as such it was observed that a proper survey had not been carried out.

(b) Environment Protection Licences

A revenue of Rs.56,000 had been deprived by the Sabha due to not obtaining environmental licences for 14 industries of which should be obtained environment protection licences in terms of the Extra-ordinary Gazette No.1533/16 dated 25 January 2008 published under National Environmental Act No.47 of 1980 as amended by the Acts No.53 of 2000 and 56 of 1988. Similarly, it was not established that those enterprises had maintained the businesses as per the conditions / standards of the Central Environmental Authority.

2.2.5 Other Revenue Advertisement Hoarding Charges

The following matters were observed.

- (a) The charges for the advertisement hoardings had been published in the Gazette annually and recovered without being complied the provisions of the by-law imposed and published by the Minister of Local Government in the Gazette of the Sri Lanka Democratic Socialist Republic of Sri Lanka dated 23 August 1988 or without enacted the by-laws in this connection.
- (b) Even though, it was revealed that 53 advertisement hoardings had been displayed during the field test check carried out with the revenue Inspector of the Sabha on 13 December 2017, a sum of Rs.79,950 had only been recovered for 45 advertisement hoardings displayed as at that date.

2.2.6 Court Fines and Stamp Fees

The court fines and stamp fees receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2017 amounted to Rs.5,705,445 and Rs.3,066,774 respectively.

3. Operating Review

3.1 Performance

The matters revealed in respect of the activities that should be carried out by the Sabha such as regularize and control over the matters on public health, public utility services and public roads and comfort, facilities and well being of the people under Section 03 of the Pradeshiya Sabha Act are given below.

(a) **Failure to achieve Expected Output Level**

Even though, it was planned to construct 51 trade stalls close to the Deraniyagala Bus Stand in the year 2015 and key money of Rs.24,299,000 had been recovered for 29 trade stalls out of those, the trade stalls had not been constructed and handed over even by April 2018.

(b) **Environmental Problems**

The land of the cemetery situated within the authoritative area of the Sabha had been utilized to dispose waste. As such, the people of the area had to find another places to cremate the dead bodies with incurring excessive expenditure and additional effort. Even though, the quotations had been obtained in the year 2014 to construct a crematorium, action had not been taken thereon even by June 2018.

(c) **Solid Waste Management**

Even though, a land had been identified to commence a proper waste management project the activities of vesting that land had not been finalized. As such, the waste and rubbish collected in the authoritative area of the Sabha had been disposed of to an open area in the cemetery close to the Seethawaka river without a methodology either to recycle or to dispose properly. Therefore the waste had mixed with water of the river in rainy days and the difficulties to use the cemetery for the people of the authoritative area of the Sabha had also arisen.

3.2 Operating Inefficiencies

- (a) (i) Out of 2 Water Supply Schemes which operated by the Sabha, the water of the Kahabate Water Supply Scheme had been purified by utilizing chlorine but the water of the Lihiniyagala Water Supply Scheme had not been purified any way. As the water of both schemes had been mixed and distributed to the water consumers the Sabha had failed to supply purified drinking water to the consumers. The reports of the Medical Health Officer, Deraniyagala had confirmed that the water supplied by those water schemes had included unfavourable bacteria.
- (ii) The water distribution had been made without a storage tank for the above water projects and as such the water consumers had to be used water mixed with sand and rubbish in rainy days. Therefore it was a normal position that the damage of the water meters given to the water consumers while more than 50 per cent out of the water meters had been inactive. As such it was not possible to recover correct water charges.
- (b) The approval of the buildings to be obtained in commencing businesses relating to 03 small hydro power stations operated in the authoritative area of the Sabha had not been obtained.

3.3 Assets Management

3.3.1 Assets not Vested

Action had not been taken for vesting the ownership to the Sabha in respect of 06 motor vehicles given by the Ministry of Local Government and Provincial Councils valued at Rs.44,188,520 and 08 motor vehicles given by Sabaragamuwa Provincial Council valued at RS.7,460,875.

3.3.2 Idle and Underutilised Assets

As the motor vehicles had not been repaired properly, 2 motor vehicles belonging to the Sabha had not been utilized.

3.4 Contract Administration

The following matters were observed.

- (a) Twelve works valued at Rs.2,125,000 estimated under public funds for the year 2017 had not been implemented.

- (b) Even though, a sum of Rs.57,072 had been paid to fix 02 urinals under item No. 5 of the estimate for the work of repairing public lavatory of the Deraniyagla bus stand, it was observed that the average market price for the above items was about Rs.10,000 and accordingly it had been an overpayment of Rs.47,052. Even though, a sum of Rs.22,775 had been paid for applying paint under item No.2 of above estimate, that work also had not been executed properly.
- (c) As over flowing the septic tank of the public lavatory of the weekly fair, it was planned to construct a septic tank with a capacity of 1600 cubic feet under an estimate amounting to Rs.763,854. Subsequently the revised estimates had not been approved to change the capacity of 515 cubic feet.
- (d) Even though, the height of the retaining wall had been estimated as 12'.6" in the completion of construction work of the retaining wall of the Poddenikanda Siriyanawatta Road, it was reduced upto 10'.1' due to appearing existent earth. But the revised estimate relating to that had not been approved.
- (i) Even though, the removable soil should have been reduced due to reduce the height of the wall, a sum of Rs.50,013 had been over paid exceeding the estimated amount of Rs.22,228.
- (ii) As the height of the wall had been reduced by 2' 5" feet, a sum of Rs.48,860 also should be reduced for the reduction of rubble approximately 02 cubes. Nevertheless, a sum of Rs.18,078 only had been deducted from the payments.

4. Accountability and Good Governance

4.1 Budgetary Control

One hundred per cent of provisions from the Budgeted provisions of the year under review totalling Rs.759,750 made for 7 objects and provisions ranging from 9 per cent to 97 per cent totalling Rs.31,620,361 made for 31 Objects had not been utilized. A sum of Rs.694,408 had been incurred exceeding the estimated provisions ranging from 1 per cent to 59 per cent made for 05 Objects.

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

(a) Accounting

Deficiencies

- (i) Failure to rectify errors pointed out in the previous year audit report.
- (ii) Narrations furnished on Journal Entries not clear.

- (iii) Non-reconciliation of schedules with accounts.
Non –utilization of stores advances system.
 - (iv)
- (b) Revenue Administration
 - (i) Failure to institute legal action to recover arrears of revenue.
 - (ii) Even though, an annual survey had been conducted on businesses and works, failure to maintain the registers accordingly.
- (c) Budgetary Control
 - (i) Significant savings on estimated provisions.
 - (ii) Non-recovery of estimated revenue.
- (d) Assets Control
 - (i) Failure to furnish Daily Running Charts.
 - (ii) Failure to carry out fuel consumption test on vehicles.
 - (iii) Failure to take action for vesting of motor vehicles used by the Sabha which belonging to other institutions.