

Dickwella Pradeshiya Sabha

Matara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented for audit on 29 March 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 25 May 2019 and 31 May 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Dickwella Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

(a) Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) The sum of Rs.1,379,276 received as reimbursement of salaries during the year under review had been understated in the accounts.	Should be correctly brought to account.	Error due to Journal Entry No. 03.
(ii) The difference between the register of employees' loans and the financial statements amounting to Rs.569,149 had been adjusted in the Accumulated Fund during the previous year. This had not been rectified even during the year under review.	Should be correctly brought to account.	Action is being taken to find out reason for difference of Rs.569,149.

(iii)	The sum of Rs.50,000 received from Ceylon Electricity Board for maintenance of street lamps during the previous year had been brought to account as revenue of the year under review.	Should be correctly brought to account.	Action is being taken to rectify,
(iv)	Land and buildings had been understated in the accounts by Rs.1,150,000 as at end of the year under review.	Assets should be correctly capitalized.	Action is being taken to rectify,
(v)	The colour printer purchased for Rs.25,000 and the counter for issuing books worth Rs.40,178 received as donation during the year under review had not been capitalized under assets.	Assets should be correctly capitalized.	Action is being taken to rectify.
(vi)	The revenue from interest on fixed deposits receivable as at end of the year under review amounting to Rs.72,918 had not been brought to account.	Revenue from interest should be correctly brought to account.	Action is being taken to rectify.
(vii)	Contributions of Rs.2,390,150 payable to the Local Government Pensions Fund as at end of the year under review had not been brought to account.	Contributions payable should be correctly brought to account.	Action is being taken to rectify.

(b) Unreconciled Accounts

Audit Observation	Recommendation	Comments of the Accounting Officer
Differences aggregating Rs.235,475,564 existed between the balances of 07 items of accounts aggregating Rs.380,205,508 as appearing in the financial statements	Action should be taken to reconcile the related balances for rectification of accounts.	Action will be taken to rectify in future.

and the related subsidiary registers/
schedules

(c) Lack of Necessary Documentary Evidence for Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
Four items of accounts aggregating Rs.195,925,636 could not be satisfactorily vouched in audit due to non rendition of necessary information.	Evidence to confirm the balances of accounts shown in the financial statements should be furnished.	Will be entered in documents in future.

1.4 Non compliance

1.4.1 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	Non-compliance	Recommendation	Comments of the Accounting Officer
(a) 1988 Pradeshiya Saba(Finance and Administration) Rules			
(i) Rule 143	The refundable deposit ledger had not been monthly totalled and adjusted with the main ledger.	Should act according to the rule.	Register of deposits and the main ledger account had been adjusted monthly.
(ii) Rule 193	The actual expenditure of objects had not been reconciled with the budgeted and the supplementary expenditure and a statement showing	Should act according to the rule.	Action will be taken to furnish in future.

surpluses and deficits
had not been
furnished.

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| (b) | Treasury circular No. IAI
2002/02 of 28 November
2002. | A register of fixed
assets had not been
maintained for
computer accessories
and softwares. | Action should be
taken according to
the circular. | Action will be
taken to update
in future. |
| (c) | State Accounts Circular
No.2/2015 of 10 July 2015 | Action had not been
taken in accordance
with the circular
regarding 02 vehicles
set aside without
being used. | Action should be
taken according to
the circular | Action had not
been taken for
disposal of
vehicles. |

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 of the year under review amounted to Rs.24,879,324 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.22,632,503.

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	2018				2017			
	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.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	3,330,579	3,312,587	2,982,033	2,829,054	3,697,123	5,805,656	5,966,523	2,498,500
Rent	4,886,100	4,491,445	4,691,447	1,583,180	4,996,100	4,688,694	4,566,433	1,783,182
Licence Fees	1,252,500	1,340,125	1,340,125	--	1,136,000	1,292,591	1,292,591	--
Other Revenue	19,454,181	21,828,643	14,954,688	76,128,243	31,414,735	33,870,641	11,245,403	69,254,288
Total	28,923,360	30,972,800	23,968,293	80,540,477	41,243,958	45,657,582	23,070,950	73,535,970

2.2.2 Performance in collection of Revenue

Audit Observation	Recommendation	Comments of the Accounting Officer
The estimated revenue for the year under review amounted Rs.28,923,360 and the revenue billed amounted to Rs.30,972,800. The total receivable amounted Rs.104,508,770 along with the arrears of Rs.73,535,970 at the commencement. However, the total revenue collected during the year under review amounted to Rs.23,968,293 resulting in total arrears of Rs.80,540,477 as at end of the year.	Arrears of revenue should be recovered soon.	Action is being taken to recover arrears of revenue.

2.2.3 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Rates		
The arrears at commencement of the year under review amounting to Rs.2,545,700 added to the billings of Rs.3,312,587 of the year ended in receivables amounting to Rs.5,858,287. The arrears as at end of the year amounted to Rs.2,835,612 due to the total recoveries of Rs.3,022,768 of the year	Arrears of revenue should be recovered soon.	Action is being taken to recover arrears of revenue.
(b) Acreage Tax		
The arrears of balances of acreage tax at the commencement amounted to Rs.53,942 and the billings of the year amounted to Rs.6,941. The arrears as at end of the year under review amounted to Rs.60,883 as there were no recoveries.	Arrears of revenue should be recovered soon.	Action is being taken to recover arrears of revenue.

2.2.4 Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>The arrears at the commencement amounting to Rs.1,464,186 added to the billings of the year amounting to Rs.4,491,445 had resulted in receivables amounting to Rs.5,955,631. The total recoveries during the year amounting to Rs.4,372,451 had resulted in arrears of balances of Rs.1,583,180 as at end of the year under review. Recoveries out of the arrears of balances as at commencement of the year was at a low level of 15 per cent.</p>	<p>Recovery of arrears should be recovered soon.</p>	<p>Action is being taken to recover arrears of revenue.</p>

2.2.5 Other Revenue

Court Fines and Stamp Fees	Audit Observation	Recommendation	Comments of the Accounting Officer
	<p>Court fines of Rs.2,183,582 and stamp fees of Rs.73,944,661 were due from the Chief Secretary, Provincial Council and other authorities as at end of the year under review.</p>	<p>Arrears of revenue should be recovered soon.</p>	<p>Request had been made from the Chief Secretary to obtain arrears of revenue.</p>

3. Operating Review

3.1 Evaluation of Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

(a) Solid Waste Material Management

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(i) A carbonic fertilizer centre had been constructed in the</p>	<p>Garbage should be properly disposed of.</p>	<p>There is no specific place for disposal of garbage.</p>

public cemetery of 01 acre and 16 perches belonging to the Sabha with the objective of disposal of garbage. Production of carbonic fertilizer had not been done due to protests made by the public. Disposal of daily collection of garbage had been made in private lands and filled with soil.

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| (ii) | A sum of Rs.999,233 had been reimbursed by the Pilisaru Project for construction of a bio-gas unit at the fair premises belonging to the Sabha. The amount paid to the contractor was Rs.1,010,712. In addition, a sum of Rs.11,479 had been paid from the funds of the Sabha to complete the construction of bio-gas unit. It was revealed during the inspection that it remained idle and the expenditure of Rs.1,010,712 incurred on this behalf had become fruitless. | Problems should be referred to the relevant institution so as to make it effective. | Although the production of bio-gas had been commenced, it had met with failure. Requests were made from many institutions for instructions. But, of no avail. Could be operated if instructions are given. |
| (iii) | An expenditure of Rs.8,345,809 had been incurred on salaries and wages, fuel and repairs to vehicles during the year under review on behalf of Solid Waste Material Management. | Disposal of garbage should be regularized. | Expenditure had been incurred in terms of Sections 93, 94 and 95 of the Pradeshiya Sabha Act. |

(d) Sustainable Development Targets

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) Indicators had not been	Indicators should be	Seven sustainable

<p>identified to measure sustainable development objectives and targets. The Sabha had not identified the financial provision needed.</p>	<p>identified to measure sustainable development objectives and targets and the purpose in achieving targets should be annually measured accordingly.</p>	<p>development targets had been identified.</p>
<p>(ii) A method to identify the existing physical resources management of the Sabha and a method to train the staff had not been identified to achieve the sustainable development target.</p>	<p>Indicators should be identified to measure sustainable development objectives and targets and the progress in achieving targets should be annually measured accordingly.</p>	<p>Seven sustainable development targets had been identified.</p>
<p>(iii) The risk of continuously losing the necessary resources and capacity to achieve sustainable development targets had not been identified. The Sabha had not identified a method for directing tasks.</p>	<p>Indicators should be identified to measure sustainable development objectives and targets and the progress in achieving targets should be annually measured accordingly.</p>	<p>Seven sustainable development targets had been identified.</p>

3.2 Management Inefficiencies

<p>Audit Observation</p>	<p>Recommendation</p>	<p>Comments of the Accounting Officer</p>
<p>(a) A survey of notice boards exhibited had not been carried out in terms of provisions in the Gazette Notification No.2047 of 24 November 2017. A field inspection carried out on 11 January 2019 revealed that fees amounting to Rs.525,375 had not been recovered for 148 notice boards exhibited on the Dickwella Beliwatta Road.</p>	<p>Proper action should be taken in terms of the gazette notification.</p>	<p>Action will be taken to recover the amount concerned.</p>

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| (b) | According to the register of advertisement fees maintained by the Sabha, the Mobitel company had paid Rs.107,625 as fees In 2017 to exhibit 22 notice boards. Although there were 08 notice boards on the road subjected to field inspection, no fees, whatsoever, had been recovered for the year under review. | Fees should be recovered from notice boards exhibited within the area. | Action will be taken to recover the amount concerned. |
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3.3 Human Resources Management

(a) Vacancies and Excesses in the Cadre

Audit Observation	Recommendation	Comments of the Accounting Officer
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Action had not been taken even by end of the year under review to fill 12 vacancies in the approved cadre and to regularize 15 excesses including the excesses in the secondary level.	Vacancies in the cadre should be filled and the excesses regularized.	Request had been made from the Commissioner of Local Government to fill the vacancies.

(b) Employees' Loans

Action had not been taken even during the year under review to recover the arrears of loan balances of Rs.267,615 from defaulting employees.	Arrears of loan balances should be recovered soon.	One employee from whom Rs,106,757 was due had expired. Letters had been sent for recovery of other arrears.
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3.4 Operating Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
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According to the Gazette Extra Ordinary Notification No.392/7 of 16 March 1986 issued by the Urban Development Authority, whenever a land to be sub divided exceeds	The portion of land due to the Sabha should be obtained according to the gazette notification.	The Sabha is not in possession of any information regarding this. As such, specific

one hectare, not less than 10 per cent of the land or premises should be allocated in a suitable place for community and entertainment activities after leaving room for the road. However, action had not been taken to obtain the 02 roods, 8.94 perches land due to the Sabha from the land named Finance waththa, the extent of which was 05 acres, 02 roods and 9.39 perches (except road) which had been auctioned in 1993.

reply is unable to be furnished with regard to action to be taken or not to obtain the portion of land due to the Sabha from this land concerned.

3.5 Assets Management

3.5.1 Assets not Registered

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Four blocks of land of 50.7 perches belonging to the Sabha had not been entered in the register of land and buildings.	All land and buildings of the Sabha should be entered in a register in Form Specimen P.S 46	Action will be taken to enter in the register of land and buildings after ascertaining correctness of the title deed.
(b) Fixed assets valued at Rs.7,921,915 purchased by the Sabha during the year under review had not been entered in the register of fixed assets.	All assets should be entered in the register of fixed assets.	Action will be taken to enter in the register of fixed assets.

3.5.2 Safety of Assets not Ensured

Audit Observation	Recommendation	Comments of the Accounting Officer
Action had not been taken to survey 06 blocks of land of the Sabha and construct fences on the boundaries. As such, it was unable to observe whether there were unauthorized persons in the portion of land belonging to the Sabha.	Action should be taken in terms of the instruction letter of the Commissioner of Local Governments No. දළඪා/15 of 19 March 2017	Action will be taken to demarcate boundaries in future.

3.5.3 Idle/Under Utilized Assets

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
<p>(a) Dormant Bank Account -----</p> <p>Idle balances of Rs.96,165 were in existence in 02 current accounts maintained by the Sabha.</p>	<p>Idle cash balances should be used for beneficial purposes.</p>	<p>Recommendation for closing the accounts will be presented at the General Council Meeting and further action will be taken on the decision made.</p>
<p>(b) Land and Buildings -----</p> <p>(i) Six lands of the Sabha had not been used for any useful activities. Attention had not been drawn to offer these land on cultivation tax or annual lease basis so as to obtain extra revenue to the Sabha.</p> <p>(ii) A crematorium had been constructed during 1999 under the decentralized provision. The usage of this crematorium had been abandoned due to protests made by the public. Accordingly, the expenditure incurred on this had become fruitless as a result of not conducting feasibility studies before constructing the crematorium.</p>	<p>Should be used for beneficial tasks.</p> <p>Should be used for beneficial tasks.</p>	<p>Land belonging to the Sabha will be properly given on lease.</p> <p>A case is under hearing in the Court of Appeal in this regard.</p>
<p>(c) Motor Vehicles and Carts -----</p> <p>A lorry valued at Rs,2,000,000 and a motor cycle, the value of which had not been mentioned, both belonging to the Sabha had become inoperative since 16 September 2014 and 09 December 2016 respectively. However, action had not been taken to repair them and use or to dispose of them.</p>	<p>Should be beneficially used or should be disposed of provided these cannot be used.</p>	<p>The lorry had been auctioned but could not be sold at the auction. The motor cycle could not be auctioned as the Sabha has no ownership.</p>

3.6 Contract Administration

Audit Observation	Recommendation	Comments of the Accounting Officer
Three works were proposed to be executed for Rs.3,000,000 under the budget of the year under review and 12 works were proposed to be executed for Rs.60,000,000 under various provisions. However, only one work had been executed.	Action should be taken according to the estimates.	Proposed works could not be executed as a result of not obtaining the provisions.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Savings in 08 objects aggregated Rs.24,427,121, ranging from 14 to 70 per cent.	Feasible annual estimates should be prepared.	Action will be taken to utilize the budget as an effective instrument of management control.
(b) The targets not achieved in an item of revenue aggregated Rs.10,502,454 which was 20per cent.	Feasible annual estimates should be prepared.	Action will be taken to utilize the budget as an effective instrument of management control.

4.2 Implementation of Audit and Management Committees

Audit Observation	Recommendation	Comments of the Accounting Officer
Although Audit and Management Committees had been established as per provisions in the Management Audit Circular No.DMA/2009 of 09 June 2009, only one meeting had been held even by end of the year under review.	Action should be taken according to the circular.	Action will be taken to conduct Audit and Management Committee meetings in future.

4.3 Internal Audit

Audit Observation

Adequate internal audit had not been carried out in terms of provisions in Financial Regulation 133 and 134 of the Democratic Socialist Republic of Sri Lanka and the circular No. දපපා/යන/01/න.ව.ලේ of 24 February 2014 of the Southern Commissioner of Local Government. The concurrence of the Auditor General had not been obtained for preparation of the Internal Audit Programme in terms of Financial Regulation 134. Meanwhile, copies of internal audit reports had not been furnished to the Auditor General.

Recommendation

Action should be taken according to the Financial Regulations and circular.

Comments of the Accounting Officer

Action will be taken to rectify in future.