

**Damana Pradeshiya Sabha
Ampara District**

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2018 had been submitted to audit on 11 March 2019 and the summarized and Detailed Auditor General's Reports relating to that were sent to the Chairman on 31 May 2019.

1.2 Qualified Opinion

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

1.3 Basis for Qualified Opinion

(a) Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
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(i). The cost of the Hingurana weekly market building amounting to Rs. 11,494,037 had not been capitalized.	Accounts must be prepared correctly.	The current value of the 2 storied building with 14 shops amounting to Rs.11,494,037.16 built in front of the Hingurana weekly market had been accounted in the month of June 2019.
(ii). The total cost incurred for the construction of stores of the Helagampura Compost Yard under the Ministry of Provincial Councils and Local Government was Rs.1,279,813 but it was capitalized as Rs.1,104,958.	Accounts must be prepared correctly.	Action will be taken to account the expenses incurred for the construction of stores of the Helagampura Compost Yard after investigate the related files.

(b) Accounts Receivables and Payables

Audit Observation	Recommendation	Comments of the Accounting Officer
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(i). Action had not been taken even in the year	Action should be taken to recover.	The amount receivables as at 31 December 2018 for the period 2011-2017 is Rs.92,260.

under review to recover stamp duty receivables amounting to Rs.92,260 related for the period from 2011 to 2017.

(After deduction of calculation charge and stamp fees of 1%).

Request letters have been forwarded in respect of these arrears and a sum of Rs.33,460 relating to July / August 2017, received by DPS / 1503 on 22 April 2019.

(ii). Action had not been taken to recover rates and taxes receivables amounting to Rs.982,479 relating for the period prior to the year 2016. Action should be taken to recover. The Rates and Taxes documents were not properly updated before 2016. But in the final accounts, there was a balance of Rs.1,316,920 as arrears rates and taxes, since we do not have information on the total amount, the rates are charged based on the information we have

(c) Documentary Evidences not made available for Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
Five assets items amounting to Rs. 1,695,443 and 01 liability item of Rs. 87,637, could not be satisfactorily vouched in the audit due to not submitting evidences.	Evidences for account balances shown in the financial statements should be submitted.	Action will be taken to ensure that if there are any documents that we have available for the balance of all the accounts specified and to maintain registers properly.

1.4 Non-compliances

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

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliances	Recommendation	Comments of the Accounting Officer
(a) Pradeshiya Sabha Act No.15 of 1987			
(i) Section 139 (1)	No periodic reports had been called for in order to be able to assess the value of a property subject to Rates and taxes.	Action shall be taken as per the provisions of the Pradeshiya Sabha Act.	Steps have been taken to call periodic reports for properties subject to assessment areas in 2019.
(ii) Section 140 (1)	All immovable properties in the Pradeshiya Sabha area have not been assessed once in 05 years. .	Action shall be taken as per the provisions of the Pradeshiya Sabha Act.	All properties are undergoing a new valuation.

(iii) Section 159	The Sabha did not recover the outstanding rent of Rs.547,902 from 27 shops which had leased in the period from 2009 to 2018.	Action shall be taken as per the provisions of the Pradeshiya Sabha Act.	Action will be taken to recoup these outstanding installments, both in writing and orally.
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(b) **1988 Pradeshiya Sabha (Financial and Administrative) Rules**

Rule 217

Lands owned by the Pradeshiya Sabha and utilized by the Pradeshiya Sabha were not transferred and assessed and included in the fixed asset register

Action shall be taken as per the provisions of the Rules.

On several occasions requests have been made to transfer the land and property used by the Pradeshiya Sabha, but due to the failure of the Damana Divisional Secretary to do so, it has not been able to proceed with the assessment.

(c) **Financial Regulations of the Democratic Socialist Republic of Sri Lanka**

(i) Financial Regulations 104(3),(4)

Action has not been taken as per financial regulations regarding 02 vehicle accidents in 2018,

Action should be taken as per financial regulations.

The Chief Management Assistant, the Technical Officer and a Member of the Pradeshiya Sabha were appointed to carry out the preliminary inquiry into the accident and informed the related date and since the related Member had not participated in the inquiry on several occasions, the inquiry was not carried out that day and was subsequently missed. I would like to inform you that action will be taken in the future without such errors

(ii) Financial Regulation 110

A register for damages and losses had not been maintained by the Pradeshiya Sabha.

Action should be taken as per financial regulations.

A register for damages and losses is being maintaining currently.

- (d) Public Administration Circular No.30/2016 dated 29 December 2016. Fuel burning test was not done for 02 vehicle and machinery. Fuel burning test Action will be taken to done should be done as a fuel burning test in future. per the Circular.

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the revenue over recurrent expenditure for the year ended 31 December 2018 amounted to Rs. 3,338,954 when compared with the revenue over recurrent expenditure of the preceding year amounted to Rs. 2,941,878.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Arrears Revenue

Information of estimated revenue, billed revenue, collected revenue and arrears of revenue relating to the year under review and previous year are shown below.

Revenue source	2018				2017			
	Estimated Revenue	Billed Revenue	Recovered Revenue	Arrears as at 31 December	Estimated Revenue	Billed Revenue	Recovered Revenue	Arrears as at 31 December
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Rates and Taxes	420,907	420,907	583,052	15,038,069	420,906	420,907	87,672	1,711,451
Rental	3,144,754	3,072,888	2,939,581	525,899	472,626	2,975,376	3,038,364	403,902
License Fee	900,000	1,114,780	1,114,780	83,750	1,222,184	1,345,000	1,630,654	83,750
Other Revenue	3,843,500	9,426,655	5,868,388	958,407	3,456,983	1,222,500	258,091	2,200,518

2.2.2 Rates and Taxes

(a) Rates and Taxes

Audit Observation

Based on the 2007 Rates assessment, Rates and Taxes had been made. Even though the arrears of Rates were Rs. 1,316,920 as at 31 December 2018, adequate action had not been taken to recover arrears Rates and Taxes.

Recommendation

Action should be taken to recover arrears Rates and Taxes according to the documents.

Comments of the Accounting Officer

Arrears Rates balance of Rs.1,316,920 had been shown in the final accounts of 2018, but the arrears have been recovered as per the information available with the Sabha.

(b) Acre Tax

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
No action had been taken to recover the unpaid acreage tax of Rs.230,850 as at 31 December 2018.	Action should be taken to recover the acre tax.	A balance of Rs. 230,850 has been shown in the financial statements as at 31.12.2014, and in this regard, there is no recovery. In terms of Section 134 (3) of the Pradeshiya Sabha Act No 15 of 1987, it is stated that an annual acreage tax of Rs.50.00 can be levied subject to the approval of the Minister only when the extent of land is less than 5 hectares but not less than 1 hectare. All the sugarcane cultivated lands in the whole area have been divided into 2 acres. Therefore, an acreage tax cannot be levied on those lands.

3. Operational Review

3.1 Performance

Following matters were revealed relating to the functions which should be performed by the Sabha to regulate and administrate public health, public utility services and public roads and luxury, convenience and welfare of the people under section 3 of the Pradeshiya Sabha Act.

(a) By-Laws

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
By-laws were to be enacted to fulfill 30 main matters under section 126 of the Pradeshiya Sabha act, but the by-laws had not been enacted by 31 December 2018.	By-laws must be enacted for matters where no by-laws are enacted.	Although by-laws on the main issues have been prepared several times pertaining to the authority area and submitted to the Department of Local Authorities, no action has been taken in this regard.

(b) Action Plan

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
An action plan had not been prepared for the year 2018 by the Sabha.	An action plan should be prepared.	Action will be taken to prepare an action plan in future.

(c) Activities abandoned

Activity	Cost as at 31 December 2018	Observations	Recommendation	Comments of the Accounting Officer
	(Rs.)			
i. Construction of Deyata Kirula Circuit Bungalow	1,444,162	Construction has been halted by laying the foundations and using wire for the pillars.	The rest of the construction work needs to be completed and should be made usable.	Under the Deyata Kirula 2013 development program, construction work has commenced at a cost of Rs. 08 million. However, due to the objections rose by the then Pradeshiya Sabha, the construction work has been halted. It has been decided to allocate by the budget of the year 2019, headed by the Chief Secretary of the Eastern Province.
ii. Construction of Community Center under Damana Pradeshiya Sabha, Uksiripura / Seethapura	39,900	Only the foundations of the building have been laid which commenced construction on 18 December 2015 under the Pradeshiya Sabha Fund.	The rest of the construction work needs to be completed and should be made usable.	Under the program of strengthening the Pradeshiya Sabha, in the year 2015, on the instructions of the former Chief Minister, construction of a community hall was started, but due to non -approval of the provision, only the foundation has been laid from the Pradeshiya Sabha Fund and construction has been halted. I intend to complete the construction in a future project.

(d) Sustainable Development Goals

Audit Observation	Recommendation	Comments of the Accounting Officer
The Pradeshiya Sabha was not aware of the United Nations Sustainable Development Agenda - 2030.	Should be aware regarding this.	There is no awareness in this regard.

3.2 Management Inefficiencies

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
(a) In August 2016, the shops at the Hingurana weekly market were built to trade fish and meat at a cost of Rs.254,292, the vendors were selling fish and meat elsewhere in the weekly market, as the construction was not planned accordingly.	Action should be taken to use the premises.	These stalls were built just behind the weekly market to sell fish and meat, but fish and meat vendors have been unable to do the job in that place. It is planned to build suitable shops elsewhere for this purpose. It is then intended to be used that place by the Sabha for some other revenue generating methodology.
(b) No action was taken to collect Rs.699,900 as at 31 December 2018 for 31 advertisement boards displayed by 06 trade organizations in the Sabha area.	Action should be taken to recover arrears.	Based on the information obtained from the previous year, the fixed advertising board receivables for the year 2018 was Rs. 699,900 and have so far been charged Rs 560,300.
(c) Action had not been taken to recover rent amount of Rs. 483,215 and 10 per cent late charges from 27 shops owned by the Sabha which had been leased for long term for the period from 2009 to 2018.	Action should be taken to recover arrears and late fees.	They will be notified in writing of these arrears and fines and action will be taken to recover them.

3.3 Human Resource Management

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
(a) Employee vacancies and Excesses ----- There were 10 vacancies in eight staff positions as at 31 December 2018.	Action should be taken to fill staff vacancies.	There are 10 vacancies in the approved cadre and recruitment to these posts should be done by the Eastern Provincial Council.
(b) The loan balance of Rs. 10,000 to be paid from a retired officer since 2015 had not been recovered.	Action should be taken to recover unpaid employee loans.	The Department of Pensions will remit Rs.500 monthly to us from May 2019. Accordingly, there is a balance of Rs.9,000 so far.

3.4 Operational Inefficiencies

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
(a) In the case of 42 stalls which had been contracted with the lessees without specifying the exact time, the shortcomings in the agreements had not been rectified and re-contracted by the end of the year under review.	The shortcomings of the agreements need to be rectified and re-signed.	The shops of the Pradeshiya Sabha have not been leased for more than 03 years and these shops to those who have leased have been called for new leases, for various reasons have not yet arrived. However, steps are being taken to take over the property to the Pradeshiya Sabha and take legal action after the acquisition.
(b) The rent of the above stalls was not assessed once every five years, the existing rent, the manner in which it was assessed, was not submitted to the audit.	The shop should be formally assessed once in every five years.	These stalls are underway for new assessments.

3.5 Assets Management

3.5.1 Maintenances or Repairs not Done

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
Six vehicles were parked on the premises for a long time and the Sabha did not pay any attention to repair or dispose of those vehicles.	Action should be taken to repair or dispose of those vehicles.	The vehicles are not directed for major repairs of the institution and the log is kept in the log book for the minor repairs that are carried out daily. A separate file is now maintained for the Mahendra cab bearing the number LE 7498, which has been referred for major repairs.

3.5.2 Non-Receipt of Income from Assets

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
Two shops in the Hingurana Shopping Complex and 02 shops in Muwangala owned by the Pradeshiya Sabha were closed from 01 to 10 years and no action was taken to recover the	It should be used for income generating purposes.	I send in writing several times to pay the arrears of these shops and I will take legal action in this regard.

outstanding rent of Rs. 220,600 or to take back the shops.

3.5.3 Assets not Acquired

Audit Observation	Recommendation	Comments of the Accounting Officer
----- No action had been taken to take over the ownership of 10 vehicles given to the Sabha by various institutions.	----- Ownership of the vehicles should be transferred to the Sabha.	----- There are 10 non acquired vehicles and three of them are currently in running condition. The rest of the vehicle will cost a lot of money and due the low income of the council, it is difficult to repair and therefore, I inform you that in the future, the vehicles will be taken over with the repairs.

3.5.4 Procurement

3.5.4.1 Procurement Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
----- A procurement plan for the year 2018 had not been prepared according to the National Budget Circular No.128 dated 24 March 2006.	----- A procurement plan should be prepared.	----- The National Budget Circular No. 128, dated 24 March 2006, has been published only in the English language and therefore, it has not been able to deal with this.