

Deraniyagala Pradeshiya Sabha
Kegalle District

1 Financial statements

1.1 Submission of Financial Statements

The Financial Statements for the year 2018 had been presented to audit on 22 March 2019. The summary report of the Auditor General on this Financial Statement and Management Audit Report had been sent respectively on 31 May 2019 and 25 June 2019 to the Chairman.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in basis for the qualified opinion section 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 2018 and its Financial Performance of the year then ended in accordance with Generally Accepted Accounting principles.

1.3 The basis for the Quantified Opinion

(A) Accounting deficiencies

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
In the year under review, Rs. 75,000 / - received as a gift and the construction cost of the Lassegama land and community building Rs. 1,410,969 had not been capitalized.	Fixed assets should be properly accounted.	The community property and the value of the building will be included in the fixed asset register and will be added to the fixed asset account when the final account for 2019 is prepared.

(B) Unreconciled Accounts

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(i) There was a difference of Rs. 5,374,962 balances between the financial statements and supporting	Accounts should be corrected by adjusting the balances.	Action will be taken to find and correct the causes of the changes.

documents of the 07 accounting subjects at the end of the year under review.

- (ii) According to the financial statements, the total value of the total assets was Rs. 165,995,470, but according to the Budget survey, the value was Rs. 167,197,521, there for there was a difference of Rs. 1,202,051.
- Accounts should be corrected by adjusting the balances.
- There is no difference in land and buildings, vehicles and machinery, stock accounts (water, electricity, industry) and the difference between office equipment, library equipment and library books will be corrected.

(C) Accounts Receivable and Payable

Audit Observation	Recommendation	Comments of the Accounting Officer
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(i) Accounts Receivable

The total amount of money received from traders who had contracted for the construction of 28 stalls in the bus station in 2014 was Rs. 26,398,000.	Action must be taken to recover the money owed to the council.	Accepted.
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(ii) Accounts Payable

The total outstanding balance of accounts payable for the period ended December 31, 2018 was Rs. 25,892,316.	Action should be taken to settle the account balances payable.	Rs. 25,500,000 / - as at 31.12.2018 is the sum of money for the construction of bus stalls Rs.392,136 is the retention money of five projects. Requests have been made to the Ministries of Provincial Councils and Local Government to release the remittances and the payments will be made after receipt.
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1.4 Non-compliance.

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

	Laws, rules, regulations and Focus on Management Decisions	Non-compliance	Recommendation	Comment by the Accounting Officer
(A)	Acts of Parliament			
(i)	No. 15 of 1987 Local Council Act. Section 158 (1) (a)	Rs.454,922 arrears of rate and acreage taxes over the one year had not been taken or the property of the owner was banned or recovered.	Action should be taken to recover arrears in accordance with the provisions of the Act.	Announcements to be issued of those who have defaulted for prohibiting property have been issued to the tax payers. Property prohibitions are scheduled to take place on May 23 and 24, 2019.
(ii)	Extraordinary Gazette Notification No. 1533/16 of 25th January 2008, published under the National Environmental Act No. 53 of 2000 and No. 56 of 1988	Three Businesses to obtain Environmental Licenses The Council had granted business license without obtaining environmental License.	The provisions of the Act should be followed.	All business owners who need environmental permits have been informed by letters.
(B)	Code of Financial Regulation of the Democratic Socialist Republic of Sri Lanka			
	Financial Regulations 571	During the period from 2008 to 2015 no action had been taken in respect of the expired deposits amounting to Rs. 381,584.	Financial regulations have to be followed.	Action will be taken to clear the overdue deposits.

2. Financial Review

2.1 The result of the money

According to the financial statements presented in the year ended on 31 December 2018 recurrent expenditure exceeding the revenue of the Council was Rs. 7,791,495 and correspondently, the revenue exceeding recurrent expenditure amounted to Rs. 8,759,325 over the previous year

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Accumulated Revenue and Arrears

Details of Estimated Revenue, Billed Revenue, Collected Revenue, Accumulated Revenue and Arrears of Revenue for the year under review are as follows.

Revenue Source	2018		Billed Revenue	Revenue collected	Total deficit as of December 31st	2017		Revenue collected
	Estimated Revenue	Rs				Estimated Revenue	Billed Revenue	
Rates and Taxes	Rs 7,877,420	Rs 8,957,752	Rs 6,913,454	Rs 2,044,297	Rs 5,685,830	Rs 6,389,414	Rs 4,786,702	Rs 1,602,712
Rent	4,709,850	5,998,306	5,983,777	14,530	4,722,200	4,772,278	4,676,778	95,500
License fee	647,100	753,092	753,092	-	607,600	750,080	750,080	-
	121,404,880	82,909,449	37,043,770	45,865,679	106,762,030	75,355,738	31,484,538	43,871,200

2.2.2 Rate tax

Audit Observation

According to the letter dated July 1, 1968, named as "Advanced Area" by the Assistant Commissioner of Local Government No. C / 4, no action had been taken in the year under review for the advance identification of taxable development areas.

Recommendation

The letter of instruction of the Assistant Commissioner of Local Government should be followed in accordance with the letter.

Comments of the Accounting Officer

Required documents have been forwarded to the Assistant Commissioner of Local Government through the letter number DR / PS / RE / 01/01/11 and letter dated May 02, 2019 for further expansion of assessment area.

2.2.3 License fees

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
The outstanding license fees, water charges and parking charges, which exceeded one year by the end of the year under review, were Rs.73,600, Rs.1,805, and Rs. 118,470, respectively.	Action should be taken to recover arrears immediately.	This shortage of market charges has resulted due to the lack of proper maintenance of the 2014 trade license document many businessmen have refused to pay because of arrears of an old year, despite the attempt to recover the arrears. The shortage of water for Rs. 1805 could not be recovered as there are no people at the relevant places. Parking charges Rs. 59,150 has been recovered from the arrears and action will be taken to recover the balance.

2.2.4 Trade licenses

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
Although surveys were conducted for trade licensees for the year under review, action was not taken to collect the merchant licensing documents and collect the arrears.	Action should be taken to recover the arrears.	A survey has been conducted for the trading licensees for the year under review and the revenue of the license has been collected based on the information.

2.2.5 Court fines and stamp fees

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
The court fines of the Chief Secretary of the Provincial Council and other authorities by 31 December 2018 was Rs. 6,377,479 and stamp fees was Rs. 7,077,184 in the year of review and the balances exceeded one year were Rs. 3,377,479 and Rs. 2,007,184 respectively.	Action should be taken to recover the arrears revenue.	The court fines Rs. 1,660,146 and Rs. 1,966,084 stamp fees have been received in 2019. Action will be taken to recover further dues.

3. Operational review

3.1 Performance

The following are the findings of the functions of the Council for the regulation, well being , convenience and control of public health, public utility services and public roads under section 3of the Pradeshiya Sabha Act.

(A) By-laws

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>Though the council has accepted 42 Draft by-laws, published By the Minister of Local Government in the Gazette of The Democratic Socialist Republic of Sri Lanka in 2001, by the end of the year under review, the Council had failed to act on such measures.</p>	<p>Action should be taken to comply with the standard by-laws and collect revenue.</p>	<p>There is a by-law on display boards gazzated in year 2001 and it has been forward to the new council for renew and future action will be taken to conduct the draft by law or act according to renewed by law.</p>

(B) Action Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>The production and sale of fertilizer under the solid waste management expected to be fulfilled by the action plan for the year under review had failed.</p>	<p>The action plan should work towards achieving the expected goals.</p>	<p>The lack of a solid waste management unit made it impossible to do so. I will try to create that project in the future.</p>

(C) Delays in performing tasks

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>Work on the two storied two storied Public Market Complex near the Deraniyagala bus station</p>	<p>The construction work should be completed.</p>	<p>Although the stalls at Deraniyagala were proposed to be built by the Kegalle District Secretariat and the Engineering Corporation under</p>

constructed in parallel to the Deyata Kirula Development Program 2014 has not been completed.

Deyata Kirula 2014, these activities were not implemented properly. As there is a problem with the owner of the land where the bus station is located, the construction work will be difficult until the situation is settled.

(D) Solid Waste Management

Audit Observation	Recommendation	Comments of the Accounting Officer
No formal arrangements have been made to dispose of the waste in the council area.	A proper waste management program has to be formulated.	Garbage are dumped in 48 perches of the Bothota cemetery as a waste management project is not implemented within the council area.

(E) Sustainable Development Goals

Audit Observation	Recommendation	Comments of the Accounting Officer
The Council was not aware of the Sustainable Development Goals in 2018 and has not prepared a separate Sustainable Development Plan for 2019.	Action must be taken to achieve the Sustainable Development Goals.	Action will be taken to prepare a Sustainable Development Plan for the coming year to educate all officials on sustainable development. Nevertheless, the criteria for preparation of the Annual Plan have been designed so that development goals and objectives can be achieved.

3.2 Human Resource Management

Audit Observation	Recommendation	Comments of the Accounting Officer
There were 44 approved staff members in the House and 15 positions were approved to be private to the bearer. Action had not been taken to fill the 13 vacancies existing in the permanent staff in respect of 8 categories.	Action should be taken to fill the vacancies.	Employees have been recruited on contract, labour basis and casual basis with the approval of the General Assembly on the services requirements.

3.3 Asset Management

3.3.1 Assets that have not been transferred

Audit Observation	Recommendation	Comments of the Accounting Officer
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No action had been taken to acquire four tractors with trailers belonging to the Sabaragamuwa Provincial Council amounting to Rs 7,460,875 to the council.	Action should be taken to acquire the relevant vehicles to the Council.	Actions are being taken to acquire nine vehicles which have not yet been taken over by the council.

3.3.2 Idle assets

Audit Observation	Recommendation	Comments of the Accounting Officer
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A tractor worth of Rs. 1,150,875 and hand tractors worth of Rs. 250,000, which have not been in running condition since year 2014, have been left without using after repairing or taking a suitable action.	Vehicles that are not in a running condition must be repaired or dispose.	Repairs are now underway to repair the tractor worth of Rs.1,150,875 and that was not in running condition. The tractor placed for auction but no one offered.

3.4 Contract administration

Audit Observation	Recommendation	Comments of the Accounting Officer
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(A) Materials for the development of the Haradaha Galapahala Road, 68 m long and 2.45 m wide. With only about one cubic cube of stone and 31 bundles of cement being used, it was difficult to determine whether the road had met the desired standards. Also, no industry under provincial councils or local government funding has been tested with hammer machines or tested their standards.	The contract work should be completed up to standard.	The bills have been paid according to the amount of material used for the route. Price have been called for the purchase of a Core Cutter machine to maintain the quality of the road ahead.

- (A) Although the Lassegama Community Building had to be iron wired with a 6-inch spacing for the concrete floor had been iron wired with a 7 to 10-inch gap. An estimated 40-foot beam was not used in the building. Proper action must be taken to ensure that contract work is completed as estimated. The way iron wire is used in this industry does not pose a problem of quality and durability. Also, if there is a lapse in supervision, it will be done in the last few days of the year due to the large number of industries and I will take action to minimize this problem.

4. Accountability and good governance

4.1 Audit and Management Committees

Audit Observation	Recommendation	Comments of the Accounting Officer
Audit and Management Committee meetings had not been held for the Council.	The Audit and Management Committee shall be conducted act in accordance with the provisions of the Circular.	The Audit Management Committees will be established from 2019 on the instructions of the Commissioner of Local Government.

4.2 Unresolved audit observations

Audit Observation	Recommendation	Comments of the Accounting Officer
(A) The value of three allotments of land of 1 acre, 3 acres and 30 perches owned by the council had not been assessed and accounted.	Action should be taken to assess and account for the property owned by the council.	Steps will be taken to obtain a confirmation from the records that 01.05 perches of land called Ilukutenna Ambalamagawa Watta which has been washed away to a nearby canal.
(A) Although an advance payment of Rs. 155,000 was paid to the Deraniyagala Divisional Secretary on 25 July 2018 for the purchase of 2 hectares and 35.37 perches of land owned by Lalan Plantation Company for the implementation of the solid waste management project the actuation has not been over by now.	A suitable land should be acquired and the project should be implemented.	Although Lalan Plantations had taken over the leased land of Udabage Estate to set up a solid waste management unit, the acquisition had not yet taken place and the establishment of this unit was temporarily suspended due to public protests.