

Dimbulagala Pradeshiya Sabha

Polonnaruwa 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 29 May 2019 and 16 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 Dimbulagala 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 the Qualified Opinion

(a) Accounting Deficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
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(i) The value of the land of Arangalawila Weekly fair had not been accounted.	Should be accounted after identifying the value of the assets.	Actions would be taken to identify and incur the values of the lands missed from the books.
(ii) The value of the Arangalawila Fish Stall had not been identified and accounted.	Should be accounted after identifying the value of the assets.	The ownership of the land is not for the Sabha and a request had been made to assign the Land.
(iii) The value had not been assessed and accounted of 60 Playgrounds and 56 Cemeteries.	Values should be assessed and accounted.	Requests had been made to assign the Lands.
(iv) Provisions had not been made for the Auditing Fees for the year under review.	Should make the Provisions.	Actions would be made to correct in the year 2019.

(b) Unreconciled Accounts

Audit Observations	Recommendations	Comments of the Accounting Officer
(i) A Difference of Rs.866,745 had been occurred between the Receivable Water Charges in the Financial Statement as at 31 December of the year under review and the Receivable Water Charges schedules prepared by the Water Project.	The accurate value should be accounted.	Actions would be made to correct after necessary consideration.
(ii) A Difference of Rs.34,793 had been occurred between the balance of the Employee Loans Schedule and the Balance Sheet amount forwarded with the Financial Statement as at 31 December in the year under review.	The accurate value should be accounted.	Actions would be taken to remove the balance in the future.
(iii) A Difference of Rs.590,000 had been occurred between the balance of the Creditors Schedule and the Balance Sheet amount forwarded with the Financial Statement.	The accurate value should be accounted.	Actions would be made to correct in the accounts for year 2019.

(c) Lack of Necessary Documentary to Evidence for Audit

Audit Observations	Recommendations	Comments of the Accounting Officer
Value of Rs.416,622,155 on nine items of accounts could not be satisfactorily vouched during the audit due to non rendition of necessary information.	Evidence for confirming the balances of accounts in the financial statements should be furnished.	The Board of Survey as at 31 December 2018 had been started. The Clerks had been advised to make the necessary inspections on the assets and make the necessary schedules after Board of Survey had been finished.

1.4 Non Compliances

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

Reference to Laws, Rules, Regulations and Management Decisions	Non Compliances	Value Rs.	Recommendations	Comments of the Accounting Officer
(a) Section 23(a) of the Environmental Act No.47 in the year 1980	Actions had not been taken to identify the institutions and issue the Environmental Licences inside the Sabha territory.		Licenses should be issued after identifying suitable institutions.	Advices have been given to issue licenses for suitable institutions.
(b) <u>1988 Pradeshiya Sabha (Finance and Administration) Rules</u>				
(i) <u>Rule No.19</u>	Disciplinary actions had not been taken against Officers who had not handed over the 16 receipt books.		Necessary Disciplinary actions should be taken.	It had been noticed to hand over the books.
(ii) <u>Rule No.59-63</u>	A list had not been prepared after a survey on the industries and businesses inside the Sabha territory.		An annual survey should be carried out to make a list and recovered the Fees.	Actions would be taken to recover the Receivable Licence Fees.
(iii) <u>Rule No. 203</u>	Actions had not been taken to survey on the Sabha Property for the year 2018.		Actions should be taken according to the Rules.	Board of Survey for the year 2018 had been started.
(c) The Rules declared by the Extraordinary Gazette No.1528/21 dated 19 December 2007 of Democratic Socialist Republic of Sri Lanka and the Order No 1.1 of	The allocated amount of Fuel for the Chairman's Official Vehicle had been exceeded by 530 Liters of Rs. 60,880 for the year under review.	60,880	The expenses should be done inside the allocated limit and the exceeded amount should be recovered.	The limit had been exceeded because of the Sabha Office located at the beginning of the territory and had to travel Anuradhapura and Colombo for the

the Extraordinary Gazette
No.2086/15 dated 29
August 2018 of
Democratic Socialist
Republic of Sri Lanka

supervision tasks of the
Water Projects of the
Sabha.

(d) Circulars of the
Commissioner of the
Local Government

The Letter
No.NCP/LG/AC/04/01/0
2 dated 04 December
2015

The allocated amount of 55,955
Fuel for the Vehicle
placed for the Secretary
had been exceeded by
589 Liters of Rs.55,955
for the January to March
in year under review.

Should be recovered
the exceeded
amount or taken a
formal acceptance.

The limit had been
exceeded because of the
Sabha Office located at
the beginning of the
territory, supervision
and participation in
meetings of 04 Water
Projects.

1.5 Accounts Receivable

Audit Observations

Recommendations

**Comments of the
Accounting Officer**

(a). The receivable Stall Rent stated in the
Financial Statements for 02 to 08 years
period of time accumulated to Rs.246,020
had not been recovered for the year under
review too.

Actions should be taken to
recover the receivable amount of
money.

Actions had been
prepared to assign it
legally and legal actions
would be taken after
legally assigned.

(b). Actions had not been taken to recover the
receivable Weekly Fair tax stated in the
Financial Statements continuously from
years 2010 to 2013 accumulated to
Rs.1,000,023 for the year under review
too.

Actions should be taken to
recover the receivable amount of
money.

Advices from Lawyers
had been taken to take the
necessary legal actions.

1.6 Unauthorized Transactions

Audit Observations

Recommendations

**Comments of the
Accounting Officer**

The balance of Overseer stores stock of
Rs.1,954,698 remained for 03 years from 2015 had

Necessary balances should only
be removed after an inspection.

Actions would be taken to
make it correct in the year

been removed from the accounts without a relevant permission by a Journal Entry.

2019.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2018 amounted to Rs.3,869,194 as compared with the excess of recurrent expenditure over revenue of the preceding year amounting to Rs.9,190,619.

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.
(i) Rates and Taxes	23,561,440	23,252,875	21,989,794	9,709,245	1,707,200	22,580,755	21,187,709	8,446,164
(ii) Rent	7,874,700	3,989,520	3,360,008	1,384,067	9,509,256	3,633,389	3,519,609	1,383,203
(iii) Licence Fees	528,000	534,670	439,670	2,160,779	844,500	574,686	585,126	2,065,779
(iv) Other Revenue	14,988,550	16,806,291	6,161,362	24,305,423	9,187,400	13,192,685	6,178,676	13,660,545
Total	46,952,690	44,583,356	31,950,834	37,559,514	21,248,356	39,981,515	31,471,120	25,555,691

2.2.2 Performance in Collection of Revenue

Audit Observations	Recommendations	Comments of the Accounting Officer
Even though Rs.46,952,690 had been estimated by the Sabha for the year under review, Rs.31,950,834 had been collected and that was 68% of the estimated revenue.	Action should be taken to attain the estimated targets.	The income from renting the Sabha vehicles had not been recovered due to using the vehicles in the Developments of the Sabha.

2.2.3 Rates and Tax

Audit Observations	Recommendations	Comments of the Accounting Officer
Receivable water charges income from the 04 Water Projects functioned by the Sabha had been Rs.9,709,245 for the year under review.	Actions should be taken to recover the Receivables Revenue.	Actions had been taken to give advices in-writing.

2.2.4 Rent

Audit Observations	Recommendations	Comments of the Accounting Officer
Because of failure to enter into agreements rent of Rs.123,950 from 04 stalls owned by the Sabha had remained as receivable at the end of the year under review.	Agreements should be signed when leasing and actions had to be taken to recover the receivable amounts.	Actions would be taken to notice to pay the arrears and take legal actions.

2.2.5 Court Fines and Stamp Fees

Audit Observations	Recommendations	Comments of the Accounting Officer
Court Fines had been Rs.23,549,923 as at 31 December 2018 from the Chief Secretary and the other Officers of the North Central Provincial Council.	Action should be taken to identify the whole amount of Court Fines and Stamp Duty that should be recovered by the Sabha.	The relevant projects had been implemented and requested had been made to recover the receivable court fines.

Receivable Stamp Duty as at 31 December 2017 had been Rs.755,500 from and the relevant amount of Stamp Duty had not been identified for 2018.

3. Operating Review

3.1 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 No.15 of 1987, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) <u>By-laws</u> Even though by-laws should allocate according to the Section 126 of the Pradeshiya Sabha Act, by-laws had not been allocated for Leasing Weekly Fair, Collecting Fees from Three Wheel Stands, Promotional Bulletin Boards Fees, Entertainment tax and Promotional Programs Fees as at 31 December 2018.</p>	<p>Action should be taken to allocate necessary by-laws, to regulate and recover the fees.</p>	<p>Actions would be taken to make by-laws in the future.</p>
<p>(b) <u>Action Plan</u> An action plan had not been prepared under the Treasury Circular No.1/2014 to complete tasks by allocating by-laws according to the Section 126 of the Pradeshiya Sabha Act.</p>	<p>Action plan should be prepared for the tasks that expected to be implemented during the year.</p>	<p>An Action Plan had been made for the year 2019.</p>
<p>(c) <u>Fulfilling the Duties</u> Not purified and dirty water with no Standards had been distributed for the clients, because the Layers of Sand had</p>	<p>Sabha should distribute clean water and full fill its duty.</p>	<p>The filters of the Siripura and Nuwaragala Projects had been prepared and developments of the filters</p>

been removed of stacking Mud, from the water filters of the 04 Water Projects.

of Dimbulagala and Weheragala had been started.

(d) **Solid Waste Management**

Even though a Land about 05 Acres from Arangalawila, Dambagaha Ulpatha had been given by the Mahaweli Authority in the year 2012 for disposing garbage in Dimbulagala Pradeshiya Sabha, the Land had not been legally acquired for 06 years.

Actions should be taken to acquire the ownership.

Answers had not been provided.

3.2 Sustainable Development Goals

(a) Even though the Sabha had aware of the Sustainable Development goals introduced by United Nations they had not correctly identified the targets relevant to the Sabha.

Should identify the goals of the Sabha.

Actions would be taken with necessary consideration to all the matters in the future.

(b) There had no processes for collecting data for the indices introduced by the Circular No. BD/CBD/4/1/2-2018 dated 31 July 2017 of the Department of National Budget when making the budget.

Should act according to the advices.

Actions would be taken with necessary consideration to all the matters in the future.

(c) No processes for collecting data for the indices because there had no benchmarks to regulate when the tasks reaching their targets.

Actions should be taken to collect data.

Actions would be taken with necessary consideration to all the matters in the future.

(d) Sabha had not identified the necessary financial provisions to reach the sustainable development targets in the years 2016, 2017 an 2018.

Actions should be taken to identify and fund.

Actions would be taken with necessary consideration to all the matters in the future.

(e) There was no any process to train the staff of the Sabha when

Necessary trainings should be carried out.

Actions would be taken with necessary

reaching the targets and Sabha had not identified the other government institutions which they should join with when attaining the targets.

consideration to all the matters in the future.

3.3 Management Inefficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) Because of not allocating by-laws legally for Collecting Fees from Three Wheeler Stands according to the Section 126 of the Pradeshiya Sabha Act, the fees had not been collected from 06 identified Three Wheeler Stands.	Should be recovered from allocating by-laws.	Controller of the Revenue would be acknowledged to recover the fees.
(b) Trade/Business Tax of Rs.24,000 had not been charges for the 07 Telephone Transmission Towersin Dimbulagala Territory under Section 152(1) of the Pradeshiya Sabha Act No.15 of 1987.	Actions should be taken to recover the Tax.	Actions would be taken to recover the money.
(c) Actions had not been taken to list down all the Promotional Bulletin Boards inside the Pradeshiya Sabha Teritory and charged the fees.	Actions should be taken to recover the Fees.	Actions would be taken to list down all the Promotional Bulletin Boards.

3.4 Human Resources Management

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) 11 vacancies of Secondary Level posts had been remained in the Sabha for 05 posts of Development Officers, a post of Technical Officer, a post of Revenue Inspector, a post of Librarian, 02 posts of Montessori Teachers and a post of Field Inspector.	Actions should be taken to fill up the vacancies with officers of relevant qualifications.	A request had been made to fill up the vacancies.

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| (b) 04 Primary Level posts as, a post of Heavy Machinery Operator, a post of Electrical Technician, a post of Plumber, a post of Sanitary Labourer and 08 posts as, a post of Office Assistant, a post of Library Labourer, 05 posts of Field Labourers and a post of Water Technician had been remained excess in the Sabha. | Actions should be taken to fill up the vacancies with officers of relevant qualifications and manage the excess. | Answers had not been provided. |
| (c) Actions had not been taken to recover the Employees balance of Rs.331,741 from the debtors or guarantors. | Should be recovered from the debtors or guarantors. | Actions would be taken after necessary consideration. |

3.5 Operational Inefficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) 72 Meters in the Weheragala Water Project, 520 Meters in the Siripura Water Project, 405 Meters in the Nuwaragala Water Project, total 997 Meters had been disabled as at 08 November 2018.	Should be removed the disabled Meters and fit new meters.	Actions would be made to purchase new Meters and fit them.
(b) The Rent had been collected from 12 Stalls under a temporary assessment, from 02 Stalls under a committee decision and from 05 stalls under an assessment made in the year 1992.	Tax assessment should be made at least for every five years.	All the details had been Handed over to the Government Valuation Department on 05 April 2018.

3.6 Assets Management

(a) Idle /Underutilized Assets

Audit Observations	Recommendations	Comments of the Accounting Officer
07 Buildings owned by the Sabha valued to Rs.2,218,961 had been remained idle at the end of the year under review.	Actions should be taken to make it utilize.	One building is in poor condition and suitable actions would be taken about the other buildings.

(b) **Lack of Security for Assets**

Audit Observations	Recommendations	Comments of the Accounting Officer
----- Actions had not been taken to acquire the Arangalawila Fresh Water Fish Stall back to the Sabha from the lessee who breached the tender conditions and hold the Stall over 05 years.	----- Actions should be taken to acquire the ownership to the Sabha.	----- A request had been made to the Mahaweli Authority to assign the land after taking the legal advices.

3.7 **Visual Dysfunctions**

Audit Observations	Recommendations	Comments of the Accounting Officer
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(a) Actions had not been taken to acquire 360 Galvanized Flag Posts back to the Sabha, which had been issued to 05 Members over 04 years by the Former Chairman, given by the Department of Divineguma on 16 December 2014 for the Public utilization.	Legal actions should be taken to acquire them back.	Even though it had been acknowledged to the members but still they had not returned them. An inspection is being carried out by the Commission to Investigate Allegations of Bribery and Corruption.
(b) Actions had not been taken to acquire, 10 DELL laptops and 02 ipads purchased on 20 February 2015 of Rs.1,249,880, back to the Sabha, which had been issued to 12 Provincial Council Members over 03 ½ years.	Legal actions should be taken to acquire the Assets owned by the Sabha.	The third recollection also had been sent but the members had declined to hand over the Laptops.

3.8 **Procurements**

Procurement Plan

Audit Observations	Recommendations	Comments of the Accounting Officer
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A procurement Plan had not been made for the procurement tasks of the year under review.	Should make an annual procurement Plan.	Answers had not been provided.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation

Sabha had not been carried out an Internal Audit on the transactions of the Sabha.

Recommendation

Necessary consideration should be given to make an internal audit covering all the tasks.

Comments of the Accounting Officer

Answers had not been provided.

4.2 Audit and Management Committee

Audit Observation

Only 01 Audit and Management Committee meeting had been hold for the year under review.

Recommendation

Actions should be taken to hold Audit and Management Committee Meetings every 02 months.

Comments of the Accounting Officer

Actions would be taken to hold the Audit and Management Committee Meetings.