

Dimbulagala Pradeshiya Sabha  
Polonnaruwa District

**1. Financial Statements**  
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**1.1 Presentation of Financial Statements**  
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The Financial Statements for the year 2019 had been presented for the audit on 28 February 2020 and the Summary Report of the Auditor General on the financial statements and the Detailed Management Report had been forwarded to the Chairman on 18<sup>th</sup> June 2020 and 19<sup>th</sup> June 2020 respectively.

**1.2 Qualified Opinion**  
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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<sup>st</sup> December 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Basis for the Qualified Opinion**  
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**(a) Accounting Policies**  
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Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Advance Accounting system had not been followed for the store items.	Advance accounting system should be followed.	Expect to follow advance accounting system.

**(b) Accounting Deficiencies**  
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Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(i) The value of electric equipment, and plumbing has been less accounted by Rs.131,592 as at 31 <sup>st</sup> December in the year under review.	Correct value should be accounted.	It was corrected by journal No. 02, 03, 04 in the account of year 2020.
(ii) Stamp Duty income for the year under review had not been identified and accounted.	Value should be identified and accounted.	Income was been unable to be identified as informed by the land registry about not preparing information

relevant to year 2019.

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| (iii) | Court Fines billed for the month of January and December of the year under review had not been identified and accounted. | Value should be identified and accounted. | It was informed by telephone that, reports of December, of 2019 had not been received. |
| (iv)  | A Rs.60,001 of employee securities deposited in the year under review had not been accounted.                            | Should be accounted correctly.            | It will be corrected in the account of year 2020.                                      |

**(c) Unreconciled Accounts**

----- Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(i) A difference of Rs.17,857,632 had been appeared between the schedules of Rs.43,514,522 presented with financial statements and in the statement of financial position of Rs.61,372,154 regarding industrial creditors as at 31 <sup>st</sup> December 2019.	Correct value should be accounted.	Agreed. It will be corrected in the account of year 2020.
(ii) A difference of Rs.6,117,680 had been appeared between Rs.50,206,035 of schedules presented with financial statements and Rs. 44,088,355 of statements of financial position regarding industrial debtors as at 31 <sup>st</sup> December 2019.	Correct value should be accounted.	Agreed. It will be correct in the account of year 2020.
(iii) A difference of Rs.820,175 had been appeared between Rs.9,802,828 of schedules presented with financial statements and Rs.8,982,653 of statement of financial position regarding arrears water fees income.	Correct value should be accounted.	Action will be taken to account most correct balance after checking.
(iv) A difference of Rs.660,000 had been appeared between Rs.651,015 of schedules presented with financial statements and Rs.1,311,015 of statement of financial position regarding balance of income debtors.	Correct schedule should be presented with financial statements.	It is a members allowance in year 2019 receivable from Local Government Department.

#### 1.4 Non-Compliances

Non-Compliance with Laws, Rules, Regulations and Management Decisions are as follows.

	Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-Compliances	Recommendation	Comments of the Accounting Officer
(a)	Clause 23(a) of National Environmental Act No 47 of 1980		Action had not been taken to identify and issue environmental licenses for suitable industries.	Licenses should be issued to suitable entities after recognition.	It is informed that those activities are done in year 2020 by appointing suitable officer using suitable methodology.
(എ)	Pradeshiya Sabha rules (Financial and administrati ve) in 1988				
	Rules No 59-63		A list of industries and commercial businesses had not been prepared by conducting a survey.	Charge should be collected by preparing a list by doing a survey.	Actions should be taken to correct from year 2020.

#### 1.5 Accounts Receivable

	Audit Observation	Recommendation	Comments of the Accounting Officer
(a)	Actions had not been taken to recover Rs. 266,660 of rent income from 13 stalls coming from year 01 to 09 in the financial statements.	Actions should be taken to recover arrears money.	Controversial situation had been arisen regarding 08 stalls due to unavailability of agreement or documents. Action had been taken

according to the decision of General Assembly held in 24<sup>th</sup> December 2019 regarding two stalls. Three stalls had been closed. Relevant tenants are unable to be identified.

- (b) Actions had not been taken to recover Rs. 953,250 of weekly fair income relevant from year 2010 to year 2013 appeared in financial statements continuously. Actions should be taken to recover arrears money. Rs.15,000 had been recovered. Revenue officers had been informed to find further information. Future actions will be taken according to their recommendations.

## 2 Financial Review

### 2.1 Financial Results

According to the financial statements presented, the excess of recurrent expenditure over revenue for the year ended 31<sup>st</sup> December 2019 amounted to Rs.903,111 compared with the excess of the recurrent expenditure over revenue of the preceding year amounted to Rs.3,869,164.

### 2.2 Revenue Administration

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

Information relating to the Estimated Revenue, Billed Revenue, Collected Revenue and Arrears of Revenue for the year under review and previous year appear below.

Source of Revenue	2019				2018			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 <sup>st</sup> December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 <sup>st</sup> December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	32,264,984	38,153,624	38,880,216	8,982,653	23,561,440	23,252,875	21,989,794	9,709,245
(ii) Rent	8,017,655	4,659,317	3,083,698	2,538,565	7,874,700	3,989,520	3,360,008	1,384,067

(iii)	License fees	528,000	344,930	470,030	2,059,679	528,000	534,670	439,670	2,160,779
(iv)	Other revenue	22,379,250	15,319,106	23,019,449	16,685,082	14,988,550	16,806,291	6,161,362	24,305,423
	Total	63,189,889	58,476,977	65,453,393	30,265,979	46,952,690	44,583,356	31,950,834	37,559,514

### 2.2.2 Rates and Taxes

#### Audit Observation

Arrears of water charges income from 04 water projects functioned by the Sabha were Rs. 8,982,653.

#### Recommendation

Actions should be taken to recover the arrears of income.

#### Comments of the Accounting Officer

Quick actions will be taken to recover arrears of water charges income.

### 2.2.3 Rent

#### Audit Observation

- (a) Arrears of stall rent income as at 31<sup>st</sup> December of the year under review were Rs.2,538,565 and it had been increased by 83 percentage compared with previous year.

#### Recommendation

Actions should be taken to recover arrears of income.

#### Comments of the Accounting Officer

Arrears of taxes on fairs and stall rent has been increased in comparison with previous year. Quick actions will be taken to recover arrears balance.

### 2.2.4 Court Fines and Stamp Duty

#### Audit Observation

Court Fines receivable from Chief secretary as at 31<sup>st</sup> December 2019 were Rs.15,211,215. Stamp Duty relevant to the year 2019 had not been recognized while Stamp Duty arrears as at 31<sup>st</sup> December 2018 were Rs.835,502.

#### Recommendation

Actions should be taken to recover arrears money and to recognized the unrecognized income.

#### Comments of the Accounting Officer

District Registrar informed by telephone that reports had not been prepared by 26 May 2020 and actions will be taken to present information quickly.

### 3 Operating Review

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#### 3.1 Performance

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The following matters were revealed with regards 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 utility services and public roads, healthy environment of the public, amenities and welfare etc.

Audit Observation	Recommendation	Comments of the Accounting Officer
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<b>(a) Solid Waste Management</b>		
An enough concentration had not been given for regular solid waste management methodology.	Actions should be taken to have a recycle program for indigestible garbage.	Any reply has not been given although it has been informed to Sri Lanka Mahaweli Authority and other responsible entities. Action will be taken regarding this after receiving a suitable land.
<b>(b) Sustainable Development Goals</b>		
Although it has been identified the sustainable development goals and indexes for measuring those goals, introduced by United Nations Organization those had not been operated.	Sustainable Development Goals and indexes should be identified and implemented.	Actions will be taken to operate regarding this, from year 2020.
<b>3.2 Management Inefficiencies</b>		
Audit Observation	Recommendation	Comments of the Accounting Officer
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<b>(a)</b> Sabha had been unable to get an effective decision regarding the stalls in the land of Aralaganwila weekly fair started constructions in year 2014 and stopped works at this moment.	Action should be taken to utilize effectively.	Action has been taken to accelerate these activities step by step using funds of Sabha.

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| (b) | Information about the legal cases relating to activities of the Sabha were not in the Sabha   | A register of cases and files of cases should be maintained.   | Actions are being taken to employ an officer of the Sabha and a lawyer on dates in which cases are examined by maintaining a register of cases and cases files. |
| (c) | Register of industries, register of industrial debtors, and register of industrial creditors had not been maintained update so as to identify balances of industrial debtors and creditors clearly and industrial deposits had been accounted at the time of settling rather than accounting at the time of depositing. | Industrial debtors, creditors and register of industries should be maintained update while industrial deposits should be documented at the time of depositing. | Relevant subject officers have been informed to maintain relevant documents correctly from year 2020.   |

### 3.3 Human Resources Management

#### (a) Employee shortages and excesses

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| (i) | Acting appointment had been given to the post of secretary of the Sabha. 06 positions of secondary level had been recruited on contract and casual basis. 26 employees of primary level were in excess. | Actions should be taken to complete essential vacancies and regularize the excess. | A request has been made to give a regular appointment to the present acting secretary. Casual appointments have been given to avoid existing staff shortages. Actions will be taken to approve the cadre under F.R. 71 as per recommendations of Public Accounts Committee held in 11 July 2019. |
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#### (b) Uneconomical Expenses

A salaries and allowances of Rs.946,728 had been paid to servant assigned to Road passenger transport Authority by Sabha

Salary payment by the Sabha should be reimbursed.

He has been assigned to Road Passenger Transport Authority

without getting any service

according to the order of secretary of Chief Ministry North Central by the letter NCP/CM/ED/03/01/P S/GEN and dated 29 July 2019.

**(c) Employee Loans**

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A Rs. 159,755 given to officers had not been recovered by the end of the year under review.

Actions should be taken to recover from loan takers or guarantors.

Loans of officers left the service and interdicted officers are unable to recover due to unavailability of information about loans and guarantors. Action will be taken to recover loans from the gratuity of deceased officers.

**3.4 Operational Inefficiencies**

(a) Kalukale weekly fair holding in a reservation has been unable to use income generation, due to not having the ownership to the Sabha.

Action should be taken to get the ownership and to utilize for the income generation.

Revenues are collected by revenue officers until reserving a suitable land through the Sri Lanka Mahaweli Authority.

(b) Stalls rent had been collected on a temporary valuation conducted by revenue officer in year 2018.

Charges should be recovered after a regular valuation.

Actions will be taken to value regularly after getting ownership

(c) Actions had not been taken to recover Rs.33,000 due from Telephone Towers.

Actions should be taken to recover the charges.

Actions will be taken to recover.

(d) Actions had not been taken for further activities although developed territory area in the Sabha had been identified.

Further requirements should be taken for the recovering of rates.

Kindly informs that data regarding map approval will be presented to General Assembly and will be forwarded to the Commissioner of Local Government.

### 3.5 Assets Management

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#### 3.5.1 Lack of security for Assets

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Actions had not been taken to recover arrears of fees and rent of Rs.1,493,068 as at 31<sup>st</sup> December 2019 and to get legal actions for the fish stall in the Aralaganwila weekly fair.

Actions should be taken to secure the ownership of the stall and to recover arrears of rent.

Actions had been taken by this time according to the reports given by inspection officers.

### 3.6 Visual Dysfunctions

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(a) A regular inquiry had not been done by 31<sup>st</sup> December 2019 regarding not handing over 100 receipts of two receipt books by a revenue officer, shown as a shortage of the documents of the Sabha.

Actions should be taken to recover relevant money.

North Central Local Government Department is taking actions after doing a preliminary inquiry and issuing a charged sheet.

(b) A regular action had not been taken regarding missing of Rs. 2,625,660 from June 2016 to June 2017 by entering a less value to duplicate copy than original.

Loss should be recovered after doing a preliminary inquiry.

Preliminary inquiry is being doing by the North Central Local Government Department. It had been requested to accelerate the inquiry by sending a letter by me on 21-05.2020.

(c) Actions had not been taken regarding the missing of receipts book including receipts from 53951 to 54000 of collecting charges from water consumers of the water projects.

Missing books and cash relevant to those should be recovered.

Actions will be taken to give a report within a month because of the officer connected to this had been transferred.

## 4 Accountability and Good Governance

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### 4.1 Internal Audit

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An adequate Internal Audit had not been done for the year under review.

Adequate and regular Internal Audit should be done.

It was noticed to issue internal audit reports to responsible divisions and to take actions according to that.

## 4.2 Unsolved Audit Paragraphs.

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| (a) | Actions had not been taken to acquire 360 galvanized flag posts which have been received on 16 December 2014, back to Sabha, issued to former Chairman and 05 members.   | Actions should be taken to get those items back.                           | It has been informed to North Central Commissioner of Local Government to give advices for conducting a preliminary inquiry. |
| (b) | Actions had not been taken to acquire a Dell Laptop and an iPad purchased on 20 February 2015 and entered into inventory as the assets of Sabha, which had been issued to members and $4\frac{1}{2}$ years have been lapsed. | Equipment or value of equipment should be taken from the relevant persons. | Relevant officers had been informed.   |