

Dehiattakandiya Pradeshiya Sabha
Ampara District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2019 had been submitted to audit on 24 February 2020 and the summarized Auditor General's Reports and the detailed management report relating to that were sent to the Chairman on 22 July 2020.

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 Dehiattakandiya Pradeshiya Sabha as at 31 December 2019 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 |
|---|--|---|
| ----- | ----- | ----- |
| (i) The Lihiniyagama Sathi Pola public toilet, which was built at a cost of Rs.300,000, had not been capitalized. | The assets of the Sabha should be capitalized. | Advised on relevant subjects to take necessary action for future correction. |
| (ii) Loan interest and installments due as at 31 December of the year under review in respect of the loan of Rs.4,000,000 obtained from the Local Loan and Development Fund for the development of Dehiattakandiya Urban Park had not been accounted for under liabilities. | Accounts must be prepared correctly. | I report that necessary steps will be taken to correct the accounting errors in the future. |
| (iii) Credit Provisions of Rs. 1,223,974 had been overstated in respect of 02 industries carried out under Provincial Specific Development Grants. | The correct value must be taken into account. | I report that necessary steps will be taken to correct the accounting errors in the future. |
| (iv) Outstanding industrial assistance receivables of Rs. 1,288,103 had been understated at the end of the year under review. | The correct value must be taken into account. | I report that necessary steps will be taken to correct the accounting errors in the future. |

(c) **Documentary Evidences not made available for Audit**

| Audit Observation ----- | Recommendation ----- | Comments of the Accounting Officer ----- |
|--|---|---|
| Evidences for 02 assets items amounting to Rs.346,297,801 and 01 liabilities items of Rs.10,699,509 had not been submitted to audit. | Evidences for account balances shown in the financial statements should be submitted. | I would like to inform you that necessary steps will be taken to maintain those documents in the future |

1.4 Non-compliances

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

Instances of Non-Compliance with Laws, Rules, Regulations and Management Decisions are shown below.

| Reference to Laws, Rules, Regulations and Management Decisions ----- | Non-compliances ----- | Recommendation ----- | Comments of the Accounting Officer ----- |
|--|--|----------------------------------|--|
| (a) Public Administration Circular No.30/2016 dated 29 December 2016. | Fuel burning test was not done for 04 Sabha owned vehicle. | Should comply with the circular. | I report that it is currently being done. |
| (b) Public Finance Circular No.02/2015 dated 10 October 2015. | No action had been taken to dispose of five vehicles which were in a unrepairable condition. | Should comply with the circular. | These vehicles have been provided to us by other agencies and we have informed the relevant agencies for acquisition as these vehicles cannot be disposed of directly by us. I kindly inform you that the remaining acquisitions and disposal work will be done in the future. |

2 Financial Review

2.1 Financial Result

According to the financial statements presented, the revenue over recurrent expenditure for the year ended 31 December 2019 amounted to Rs. 5,044,210 when compared with the revenue over recurrent expenditure of the preceding year amounted to Rs. 9,071,890.

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 | 2019 | | | | 2018 | | | |
|-----------------|--------------------------|--------------------------|--------------------------|---------------------------|--------------------------|--------------------------|--------------------------|---------------------------|
| | Estimated Revenue | Billed Revenue | Recovered Revenue | Arrears as at 31 December | Estimated Revenue | Billed Revenue | Recovered Revenue | Arrears as at 31 December |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Rates and Taxes | 1,528,956 | 1,415,901 | 1,047,372 | 1,938,758 | 1,488,956 | 1,728,772 | 1,466,069 | 2,555,273 |
| Rental | 10,956,537 | 8,898,088 | 8,396,963 | 501,125 | 10,343,566 | 9,616,676 | 8,970,726 | 1,087,200 |
| License Fee | 1,770,500 | 1,846,678 | 1,827,928 | 18,750 | 1,510,600 | 1,875,050 | 1,833,700 | 57,350 |
| Other Revenue | <u>4,056,000</u> | <u>6,265,109</u> | <u>5,742,643</u> | <u>510,398</u> | <u>1,864,000</u> | <u>269,335</u> | <u>3,604,485</u> | <u>187,270</u> |
| | <u>18,311,993</u> | <u>18,425,776</u> | <u>17,014,906</u> | <u>2,969,031</u> | <u>15,207,122</u> | <u>13,489,833</u> | <u>15,874,980</u> | <u>3,887,093</u> |

2.2.2 Rates and Taxes

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|---|--|---|
| Action had not been taken to recover arrears rates and taxes amount of Rs.1,938,758 as at 31 December 2019. | Arrears rates and taxes should be recovered. | Necessary action is being taken to recover in the future. |

2.2.3 Rental

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|-------------------------------------|---|
| Action had not been taken to recover arrears shop rent amounting to Rs.501,125 as at 31 December 2019. | Arrears rental should be recovered. | Necessary action is being taken to recover in the future. |

2.2.4 Courts Fine and Stamp Duty.

(a) Courts Fines

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|---|---|---|
| The arrears courts fines of Rs.336,833 due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2019 had not collected. | Arrears courts fines should be recovered. | Necessary action is being taken to recover in the future. |

(b) Stamp Duty

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|---|---|
| Stamp duty receivables as at 31 December 2019 had not been identified. | Arrears stamp duty should be recovered. | Necessary action is being taken to recover in the future. |

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 only for 01 matter the by-laws had been enacted by 31 December 2019. | By-laws must be enacted for matters where no by-laws are enacted. | Only by-laws regarding solid waste management have been enacted. However, arrangements have been made to enact by-laws for other public purposes and it has been referred to the Provincial Council but it has not been completed yet. |

(b) Action Plan

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|--|---|
| An action plan had not been prepared by the Sabha for the year under review. | An action plan should be prepared for each year. | Necessary action will be taken in the future. |

(c) Sustainable Development Goals

Audit Observation

Even though the Pradeshiya Sabha was aware of the United Nations Sustainable Development Agenda – 2030, Sustainable development objectives and goals were not identified.

Recommendation

Should be identified and established the sustainable development goals and objectives of the United Nations Sustainable Development Agenda – 2030.

Comments of the Accounting Officer

We are aware of the Sustainable Development Goals and Objectives of the 2030 Sustainable Development Agenda and will work towards those goals.

3.2 Human Resource Management

Audit Observation

There were vacancies for 08 positions of the staff as at 31 December 2019.

Recommendation

Staff vacancies need to be filled.

Comments of the Accounting Officer

Increase of staff and other essential posts have been requested but have not yet been approved and the existing staff is not adequate.

3.3 Operational Inefficiencies

Audit Observation

- (a) Rates and Taxes had been recovered during the year under review based on the last assessment made in the year 2011, by the Pradeshiya Sabha.

Recommendation

A new valuation should be carried out and rates and taxes should be recovered.

Comments of the Accounting Officer

However, this assessment has been referred to the Chief Minister of the Eastern Province for re-evaluation on various occasions and has been approved, but it has not been possible to carry out this work as it has been repeatedly delayed by the Eastern Provincial Valuation Departments.

- (b) Based on the assessment done in 2008, the rent had been levied from 05 shops owned by the council during the year under review without obtaining new assessment values.

New assessments have to be made and the market rentals have to be recovered.

Relevant assessments for those 5 shops have also been sent to the relevant department but no report has been submitted so far.

3.4 Assets Management

----- Assets not acquired -----

| Audit Observation ----- | Recommendation ----- | Comments of the Accounting Officer ----- |
|--|--|---|
| (a) The Pradeshiya Sabha has not taken action to take over the ownership of 05 vehicles given by the Mahaweli Authority and NGOs. | The legal ownership of the vehicles should be taken over in the name of the Sabha. | The five types of vehicles mentioned under this have been provided by 02 from the Mahaweli Authority of Sri Lanka and 3 by UNOPS but so far these vehicles have not been handed over to us by the relevant institutions. Therefore, the transfer of those vehicles has been delayed so far. |
| (b) Action had been taken even in the year under review to acquire ownership of 04 plots of 1.72 hectares of land given to the Pradeshiya Sabha by the Sri Lanka Mahaweli Authority, 07 playgrounds and 37 cemeteries. | The legal ownership of property should be taken over in the name of the Sabha. | Necessary action is being taken to this. |

3.5 Procurement

----- Procurement Plan -----

| Audit Observation ----- | Recommendation ----- | Comments of the Accounting Officer ----- |
|---|---|---|
| A procurement plan had not been prepared for the year under review. | A procurement plan should be prepared according to the approved budget. | Although a procurement plan had not been prepared for the year under review for our Sabha it is being prepared now. |