

Diwulapitiya Pradeshiya Sabha
Gampaha District

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year 2019 had been presented for audit on 29 February 2020 and the report of the Auditor General on 31 July 2020 and the Detailed Management reports on 30 September 2020 had been sent to the Chairman of the Council.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the, basis for qualified opinion under Section of my report the financial statements give a true and fair view of the financial position of the Diwulapitiya Pradeshiya Sabha as at 31 December 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles

1.3 Basis for Qualified Opinion

1.3.1 Accounting Deficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
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(a) The Library books account and the Capital Contribution by Income account were overstated since Library books amounting to Rs.977,751 was accounted twice.	Should be accounted correctly in future.	Will be rectified using Journal entries in the final accounts in 2020.
(b) The value of 18 lands belonging to the council were not assessed and capitalized.	Land should be assessed and capitalized.	Action will be taken to assessed and capitalize the value of Land.
(c) The value of buildings belonging to the council totaling to Rs.2,445,431 and a Printer machine purchased in the year under review amounting to Rs.140,300 were not capitalized.	Fixed assets should be capitalized.	Will be rectified using Journal notices in the final accounts in 2020.
(d) An overstated Debit amount of Rs.221,953 and an understated Credit amount of Rs.251,942 was shown when reconciling the Stores creditors account.	Action should be taken to account correctly.	Will be rectified correct in the final accounts of 2020.
(e) Cheques amounting to Rs.142,336 not presented to the bank from 2004 to 2009 was shown in the Miscellaneous Deposits account.	Should be accounted correctly	Noted that action will be taken to resolve after inquiry.

1.3.2 Unreconciled Accounts

Audit Observations

There was a difference of Rs.3,513,798 although the total balance of 14 items of accounting in the financial statements amounted to Rs.104,660,892 as at 31 December 2019, and according to their sub registers total balance amounted to Rs.101,147,094.

Recommendations

Action should be taken to rectify Registers and sub registers.

Comments of the Accounting Officer

Notified that action will be taken to rectify in the future.

1.3.3 Lack of Documentary Evidence for Audit.

Audit Observations

Registers and Sub registers of Debtors, Staff Loan, General Stores, and Electrical Stores were not presented related to 05 accounts totaling Rs.99,987,399.

Recommendations

Pointed out Audit evidence must be presented along the Accounts.

Comments of the Accounting Officer

Action will be taken to rectify in the 2020 final accounts.

1.4 Non compliance

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

References to the Laws, Rules, Regulations and Management decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) Financial Regulation 371	Ad hoc sub advances amounting to Rs.6,623,255 due from more than 03 years was not settled.	Action should be taken according to Financial Regulations.	Notified that action is being taken to settled advances.
(ii) Financial Regulation 571	Action had not been taken for deposit balances amounting to Rs.13,467,421 expired by more than 2 years.	Action should be taken according to Financial Regulations.	Notified that action will be taken accordingly in the future.
(b) Gazette Notification No.1484 of the Democratic Socialist Republic of Sri Lanka dated 9	Although the entire area of authority of the council was announced	Action should be taken according to the gazette.	Action will be taken after receiving the

February 2007.

as a Developed area, yet assessment was collected only from 1124 Domestic properties, 1701 business properties and 136 other properties even as at the year 2019.

new assessment.

1.5 Receivable and Payable Balances

(a) Receivable Balances

Audit Observations	Recommendations	Comments of the Accounting Officer
(i) The Fuel, Work and Miscellaneous advance balances as at 31 December 2019 amounted to Rs.1,508,186, Rs.5,078,175 and Rs.35,795 respectively. Arrears balances of these for more than 10 years amounted to Rs.1,308,186, Rs.3,066,753 and Rs.7,018 respectively and due for 5 – 10 years amounted to Rs.200,000, Rs.2,011,422 and Rs.28,777 respectively.	Action should be taken to recover receivable balances.	Since these unsettled Fuel advances, work advances and other advances belonged to the time period of 2006 – 2015, as such the advance cannot be settled due to not acting during that time and lack of documents.
(ii) The debtor balance as at 31 December 2019 included balances due from 2 – 3 years amounting to Rs.5,649,345 and due from lesser than 01 year amounting to Rs.42,772,256.	Action should be taken to recover receivable balances.	The relevant officers were notified. Notified that the action is being taken accordingly.

(b) Payable Balances

Audit Observations	Recommendations	Comments of the Accounting Officer
(i) Credit balance as at the 31 December of the year under review contained balances amounting to Rs.10,177,987 due from 3 – 5 years, an amount of Rs.5,042,855 due from 2 – 3 years and an amount of Rs.24,791,417 due lesser than 01 years.	Action should be taken to settle payable balances as soon as possible.	The relevant officers were notified. Notified that action is being taken accordingly.

- (ii) Payable deposit balances as at the 31 December of the year under review included balances amounting to Rs.1,637,145 due from lesser than 1 year, an amount of Rs.7,467,280 due from 2 – 5 years and an amount of Rs.4,483,613 due more than 05 years. Action should be taken to settle payable balances in exigent. The relevant officers were notified. Notified that action is being taken accordingly.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, the Revenue over Recurrent Expenditure of the Council for the year ended 31 December 2019 amounted to Rs.21,962,179 as compared with the corresponding Recurrent Expenditure over Revenue for the preceding year amounted to Rs.40,618,153.

2.2 Financial Control

Audit Observations	Recommendations	Comments of the Accounting Officer
Action had not been taken to identify and settled dishonored cheques amounting to Rs.121,102.	Action should be taken to settle.	The Commissioner of Local Government has been notified regarding this.

2.3 Revenue Administration

2.3.1 Estimated Income, Billed Income, Collected Income, and Arrears of Income

The details of the Estimated Income, Billed Income, Collected Income and Arrears of income for the year under review and the preceding year are shown below.

Source of Income	2019				2018			
	Estimated Income	Billed Income	Collected Income	Total arrears of income at 31 December	Estimated Income	Billed Income	Collected Income	Total arrears of income at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assessment and tax	9,407,778	14,690,393	13,592,787	1,188,492	10,150,985	10,521,241	10,439,903	81,338
Rent	7,294,154	7,723,357	7,504,106	582,351	6,676,303	6,967,641	6,954,734	12,906
Permit fees	1,827,148	1,896,150	1,896,150	-	1,564,544	1,925,064	1,925,064	-
Other income	79,853,430	81,783,723	81,779,487	-	58,813,707	65,529,022	65,529,022	-
	98,382,510	106,093,623	104,772,530	1,770,843	77,205,539	84,942,968	84,848,723	94,244

2.3.2 Assessment and Tax

----- Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
(a) Repayable deposits balance as at the 31 December of the year under review contained balances amounting to Rs.22,990 due from more than 10 years, an amount of Rs.21,800 due from 5 – 10 years, an amount of Rs.19,228 due from 3 – 5 years, an amount of Rs.34,714 due from 2 – 3 years and an amount of Rs.1,076,179 due lesser than 01 years.	Proper action should be taken to collect the arrears of assessment.	Notified that action is being taken to recover arrears of assessment.
(b) Although the total number of properties was revealed to be 57,822 according to the Property survey, assessment was only collected from 2961 properties.	Action should be taken to obtain a new tax valuation.	Although the valuation department was informed yet due to the lack of officers a new valuation was not given.
(c) Although the assessment tax should be valued per every 05 years as according to the 1946 Tax and Assessment Ordinance No.30, yet the last assessment for Diwlapitiya and Kotadeniyawa sub office in 1994 and Kehelalla sub office in 2010.	Action should be taken to obtain a new tax valuation.	A new valuation was not given.

2.3.4 Rent

----- Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
The arrears of rent due for 10 years of the Kohelalla sub office amounted to Rs.327,098.	Action should be taken to recover the arrears of Lease tax.	The Commissioner of Local Government has been informed regarding this.

3. Operational Review

3.1 Performance

Facts observed relating to the execution of activities by the Pradeshiya Sabha in accordance with Section 3 of the Pradeshiya Sabha Act such as regulation of health of the general public, common utility services and public road facilities and maintenance of people's welfare, facilities and development are given below.

(a) Action Plan

Audit Observations	Recommendations	Comments of the Accounting Officer
05 project amounting to Rs.11,035,000 to be fulfilled in the year under review as according to the action plan was not fulfilled.	Provisions should be made according to the needs.	Were not initiated due to the lack of funds.

(b) Abandoned Activities

Audit Observations	Recommendations	Comments of the Accounting Officer
A bio unit was constructed within the council premises as according to the recommendations of the Sri Lanka National Engineering Research and Development Center (NERD) on 2014 for an amount of Rs.500,000 and a worker of the council was trained by the NERD institute and paid an amount of Rs.6,000 for the maintenance of the unit. Yet since a proper place was not provided for the piping required for the Bio Gas unit, the project was removed from the NERD projects list and the expected results were not achieved even as at 11 May 2020 and the Bio Gas unit was abandoned.	Action should be taken to achieve expected results.	Notified that action is be taken regarding to this.

(c) Public Complains

Audit Observations	Recommendations	Comments of the Accounting Officer
Only 56 complains were solved out of the 174 complains received in the year under review.	Steps should be taken to solve the complains in exigent.	Action will be taken to solve the complains in exigent.

3.2 Human Resource Management

(a) Staff Vacancies

Audit Observations	Recommendations	Comments of the Accounting Officer
04 Librarian positions, 03 Revenue inspector positions, an Assistant Librarian position, 04 Field Labor	Action should be taken to fill the vacancies.	The commissioner of local government was informed to recruit the

positions, 02 Health Labor positions, and a Heavy vehicle driver position of the approved cadre were left vacant.

vacant position.

Librarian

(b) Staff Loans

Audit Observations

Recommendations

Comments of the Accounting Officer

The staff loan balance contained staff loans of 12 officers deceased or left service amounting to Rs.21,508,178 and 09 officers who had transferred amounting to Rs.271,633 due from a few years.

Action should be taken to recover arrears of Loan balances.

The relevant officers had been informed. Action will be taken accordingly.

3.3 Management Inefficiencies

Audit Observations

Recommendations

Comments of the Accounting Officer

Although surcharges amounting to Rs.163,876 were paid for the delay in paying the Employees Provident Fund yet action had not been taken to recover an amount of Rs.158,784 from the responsible parties.

Action should be taken to identify the relevant responsible parties and recover surcharge.

The relevant officers are notified. Notified that action is being taken accordingly.

3.4 Operational Inefficiencies

Audit Observations

Recommendations

Comments of the Accounting Officer

03 Dima Batta vehicles were rented from a private institute for the work of the Electrical division in 2019 and an amount of Rs.2,488,200 was paid for the vehicles, the details of the street lamps repaired within the area of authority was not considered and only the details of the travelled roads were considered

Not only the travelled roads but also the work done must be considered when paying for the vehicles.

Noted that details of the repaired street lamps will be prepared when paying for vehicles.

3.5 Assets Management

3.5.1 Assets not Acquired

Audit Observations

Recommendations

Comments of the Accounting Officer

07 vehicles including 06 vehicles from the Ministry of Public Administration and Local Government and one vehicle from the Western Provincial Council amounting to Rs.44,044,173 were not acquired by the council.

Action should be taken to acquire the vehicles received by the council.

Action is being taken to acquired.

3.5.2 Idle and Under Utilized Assets

Audit Observations

Recommendations

Comments of the Accounting Officer

A community center was built after spending an amount of Rs.581,697 in Kotadeniyawa Delgoda estate in 2014 yet the community center was not used for any purpose and was abandoned.

Action should be taken to use the Community center in a useful task.

Action will be taken relevant to this.

3.5.3 Stock Leakages

Audit Observations

Recommendations

Comments of the Accounting Officer

An unidentified leakage of Rs.22,021,294 of the final General stock and an amount of Rs.2,405,285 of the Electrical stock was observed as at the end of the year under review.

Steps should be taken to identify the relevant leakage in the document in exigent.

Noted that this is a leakage due from 2012 and action is being taken although documents are not present.

3.6 Contract Administration

Audit Observations

Recommendations

Comments of the Accounting Officer

As according to the concreting report of the Induragara Grama Niladari division Dunagaha Godimuwa Charles lane (Mola road) near the road lying near Mr.Shantha's Shop, an over payment of Rs.191,959 had been done for extra meters of 18.78.

The correctness of the payments should be proved when doing payments.

Payments had been done according to the Superintendent of Work.