

Dompe Pradeshiya Sabha

Gampaha District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 27 February 2013 and the financial statements for the preceding year had been presented on 28 March 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 09 January 2014.

1.2 Opinion

In view of the comments and observations appearing in my report, I do not express an opinion on the financial statements of the Dompe Pradeshiya Sabha for the year ended 31 December 2012 presented to audit.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following observations are made.

- (a.) Books valued at Rs.165,705 received as donations during the year under review had been adjusted to the revenue contribution to the capital outlay account, instead of being adjusted to the donations account.
- (b.) Kirindiwala and Pagoda weekly fairs respectively constructed during the year under review by the Ministry of Economic Development spending a sum of Rs.106,352,355 and Rs.62,717,832 had not been capitalized as assets of the Sabha.
- (c.) According to the Bank Statement for December 2012, the bank had deducted loan installments and interest amounting to Rs.595,646. But, this had not been brought to account as bank loans and interest payable.

- (d.) According to the Register of Fixed Assets, land and buildings valued at Rs.5,319,869 had not been brought to account.
- (e.) Liabilities amounting to Rs.19,884,367 shown in the bank reconciliation statement for the month of October of the preceding year under other liabilities had not been brought to account in that year and a revised cash book had been prepared for the year 2011 to take those transactions into accounts, and the said value had been debited to the cash book and again credited the cash book and debited the accumulated fund account. Therefore, the accumulated fund had been understated by Rs.19,884,367.
- (f.) According to the Register of Salary Reimbursements Receivable, the balance as at 31 December 2012 amounted to Rs.4,418,641. But, it had been shown as Rs.3,298,932 in the ledger.
- (g.) Court fines amounting to Rs.141,499 received during the year 2008 and 2009 and stamp fees amounting to Rs.108,114 received from 2008 to 2012 had not been included in the deposits account.

1.3.2 Lack of Evidence for Audit

Non-submission of Information to Audit.

- (a.) The deficit of Rs.8,267,179 as per the income and expenditure account for the year under review had been converted into a surplus of Rs.856,382 after making adjustments. But, the approved journal entries or clarifications on the above had not been submitted to audit.
- (b.) A sum of Rs.2,884,367 had been debited to the audited cash account as at 31 December 2011 and the respective credit entry could not be identified in audit.

2. **Financial and Operating Review**

2.1 **Financial Results**

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2012 amounted to Rs.19,606,421 as compared with the excess of revenue over recurrent expenditure amounting to Rs.22,020,899 for the preceding year.

2.2 **Revenue Administration**

2.2.1 **Estimated Revenue, Actual Revenue and Arrears of Revenue**

Information on the estimated revenue, actual revenue and the arrears of revenue in respect of the year under review as presented by the Chairman is shown below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	5,723	6,698	5,099
(ii.) Lease Rent	12,309	12,118	564
(iii.) Licence Fees	-	-	25
(iv.) Other revenue	66,266	86,083	16,875

2.2.2 **Rates ad Taxes**

The details of rates and taxes and acre tax in arrears for over 05 years at the Sub-offices were as follows.

Sub-Office	Rates	Acre Tax
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	Rs.	Rs.
Wake	1,657,076	34,746
Dompe	2,253,070	76,954
Keragala	91,818	28,487
Poogoda	1,235,782	30,633

2.2.3 Lease of Stalls

Action had not been taken even as at 23 July 2013; the date of audit examination, to call for tenders and lease 11 stalls of Kirindiwela New Trade Complex.

2.3 Operating Inefficiencies

The following observations are made.

- (a.) There was a balance of cash-in-hand amounting to Rs.26,872,102 at the Head Office and action had not been taken to invest the said money at least in a short-term investment with a view to earn an income.
- (b.) Sabha had invested a sum of Rs.1,000,000 on 01 December 2010 in 10 Ascharya Savings Certificates at Rs.100,000 each at the Peoples Bank. It had been stated in, the certificates that the prime money with 5% annual interest can be withdrawn after the maturity period of 12 months and open a new account. Nevertheless, action had not been taken to withdraw the money at maturity and invest in a long-term investment at a high rate of interest, but had been kept in the same savings certificates at an interest of 3.8% from 01 December 2011 to 01 December 2012.
- (c.) Although, it had been recommended at the verification of goods conducted as at 31 December 2011 to destroy 32 items of goods and write-off from the accounts; action had not been taken accordingly even by 13 July 2013.
- (d.) There was a balance of Rs.239,579 in 02 bank accounts throughout a period of 06 to 08 years without making any transaction.

2.4 Contract Administration

The following observations are made in respect of the library building at Poogoda constructed at a cost of Rs.12,655,752 under the aid of Local Loans and Development Fund.

- (a.) According to the agreement, all construction works should be completed within 09 months. However, a period over 02 years had been spent to complete the works.
- (b.) A two years grace period had been given to repay the loan. Nevertheless, nearly 03 years' period had been spent for construction and the library had not been opened even by 28 August 2013.
- (c.) So many defects in construction works of the Project had been identified at an examination carried out by an officer of the Consultancy Firm, Project Engineer, Works Superintendent and the Technical Officer on 25 September 2012. These defects had not been rectified even by August 2013. However, the final payment also had been made and there is a doubt whether the 10% retention money amounting to Rs.260,286 is adequate to rectify the defects observed.

2.5 Sub-division and Sale of Lands

A sample audit examination carried out on sub-division and sale of lands revealed the following matters.

- (a.) According to the Gazette Extra-ordinary No.1053/17 dated 13 November 1998, it is compulsory to develop public utilities when a land is sub-divided and sell. Nevertheless, written evidence had not been obtained in respect of supply of electricity, preparation of permanent drainage system, water facilities, access roads relating to the sub-division and sale of Komilawatta/Indurugalle, Kandahenawatta Radavana, Beligollawatta, Maligawatta Meddegama lands. However, the Chairman had given approval to sell the lands subject to the condition of carrying out the above works. It was observed that the said

conditions had not been fulfilled and even a follow-up action had not been taken to find out whether the conditions had been fulfilled.

- (b.) Recommendations of the Planning Committee had not been obtained at the sub-division and sale of above lands.
- (c.) If the extent of the land to be sub-divided is more than 01 and not less than 04 Hectares; 8% of the land after reservation for roads should be allocated for community services and entertainment and sports activities. But, the extent obtained from the lands auctioned was less by 61.95 perches.
- (d.) The value of lands to the extent of 28.75 perches and 33.20 perches respectively vested with the Sabha from Kandewatta and Beligollawatta had not been brought to account under fixed assets.
- (e.) Although the sales value of 01 perch of the Maligawatta, Maddegama land auctioned was between Rs.60,000 to Rs.75,000; the value of the land allocated for public utilities had been computed at Rs.14,680per 01 perch.
- (f.) According to the title deed and the Register of Sub-division, the extent of land vested with the Sabha for public utilities on sale of Maligawatta Meddegama land is 23 perches. But, it had been shown in the accounts under fixed assets as 82.50 perches.

3. Systems and Controls

Special attention is needed in respect of the following areas of systems and controls.

- (a.) Accounting
- (b.) Internal Audit
- (c.) Budgetary Control
- (d.) Revenue Administration
- (e.) Assets Management