

Deraniyagala Pradeshiya Sabha
Kegalle District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to audit on 21 April 2020 and the summary report and the Detailed Management Report of the Auditor General on the financial statements had been issued to the Chairman on 21 July 2020 and 28 August 2020 respectively.

1.2 Qualified Opinion

In my opinion, except for the effects of the 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 Deraniyagala 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

| | Audit Observation | Recommendation | Comments of the Accounting Officer |
|-----|---|---|---|
| | ----- | ----- | ----- |
| (a) | Even though the total of the balances as per the financial statements relating to 03 items of accounts amounted to Rs.13,137,875 the total of balances as per subsidiary registers had been Rs.7,443,531 thus shown a difference of Rs.5,694,344. | The financial statements and the subsidiary registers should be reconciled and rectified the differences. | As it is difficult to find specific information on the advances relating to the past period, it is not possible to deal with those advances. Action will be taken to find information relating to other balances and to settle. |
| (b) | A difference of Rs.15,791,480 was shown between the total value of fixed assets and stocks as per Reports of the Boards of Survey and the value as per the financial statements. | Action should be taken to reconcile and to find reasons and to rectify. | Action will be taken to find reasons for the difference between the total value of the fixed assets and stocks in the report of the Board of Survey and the value as per financial statements. |

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

| Reference to Laws, Rules, Regulations and Management Decisions | Non-compliance | Recommendation | Comments of the Accounting Officer |
|--|---|---|---|
| ----- | ----- | ----- | ----- |
| (a) Pradeshiya Sabha Act No.15 of 1987 Section 122 | Despite, that there were 10 transmission towers in the authoritative area of the Sabha action had not been taken to prepare by-laws thereon, and to recover taxes. As such a revenue of Rs.30,000 had been deprived of. | Action should be taken to recover revenue receivable. | Action will be taken to recover business taxes from that telecommunication companies in the future. |
| (b) Public Administration Circular No.30/2016 dated 29 December 2016. paragraph 3.1 | Fuel consumption tests of 08 vehicles of the Sabha had not been carried out. | Action should be taken in terms of the provisions of Circulars. | Action is being taken to conduct fuel consumption tests of all vehicles belonging to the Pradeshiya Sabha in the year 2020. |

2. Financial 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 2019 amounted to Rs.4,683,358 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.7,971,495.

2.2 Revenue Administration

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

The information relating to the estimated revenue, billed revenue, collected revenue and the arrears of revenue furnished for the year under review and for the preceding year appears below.

| Source of Revenue | Estimated Revenue | 2019 | | Total arrears as at 31 December | 2018 | | Total arrears as at 31 December | |
|--------------------|-------------------|----------------|-------------------|---------------------------------|-------------------|----------------|---------------------------------|-------------------|
| | | Billed Revenue | Collected Revenue | | Estimated Revenue | Billed Revenue | | Collected Revenue |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| i. Rates and Taxes | 7,655,840 | 8,504,166 | 6,533,205 | 1,970,962 | 7,877,420 | 8,957,752 | 6,913,454 | 2,044,297 |
| ii. Lease Rent | 5,799,350 | 7,617,831 | 7,605,243 | 12,588 | 4,709,850 | 5,998,306 | 5,983,777 | 14,530 |
| iii. Licence Fees | 720,100 | 833,028 | 833,028 | - | 647,100 | 753,092 | 753,092 | - |
| iv. Other Revenue | 154,877,700 | 112,085,824 | 65,292,214 | 46,793,610 | 121,404,880 | 82,909,449 | 37,043,770 | 45,865,679 |

2.2.2 Advertisement Hoardings Revenue

Audit Observation

Action had not been taken to carry out a survey relating to the permanent and temporary advertisement hoardings displayed in the authoritative area, and to recover revenue.

Recommendation

Action should be taken to carry out a survey in respect of advertisement hoardings and to recover revenue.

Comments of the Accounting Officer

Action has been taken to conduct a survey and to recover the charges relating to the permanent advertisement hoardings at the moment.

2.2.3 Other Revenue

Audit Observation

A sum of Rs.44,055 receivable from 45 water consumers for the year 2018 and for prior years had not been recovered. A sum of Rs.30,437 out of that had to be recovered from those who had been disconnected from the water supply.

Recommendation

Action should be taken to collect revenue receivable to the Sabha at proper time.

Comments of the Accounting Officer

Letters have been sent to those consumers asking them to pay money for the disconnected water connections.

2.2.4 Court Fines and Stamp Fees

Audit Observation

Court fines and stamp fees receivable as at 31 December 2019 from Chief Secretary of the Provincial Council and other authorities amounted to Rs.6,043,781 and Rs.6,950,118 respectively. Also, court Fines and stamp fees exceeding one year amounted to Rs.2,543,781 and Rs.1,322,450 respectively.

Recommendation

Action should be taken to obtain the court fines and stamp fees receivable.

Comments of the Accounting Officer

Action will be taken to bring down the court fines and stamp fees receivable.

3. Operating Review

3.1 Performance

The matters revealed in respect of the activities that should be carried out by the Sabha such as regularize and control over the matters of public health, public utility services and thoroughfares and the comfort, facilities and wellbeing of the people under Section 3 of the Pradeshiya Sabha Act are given below.

(a) By-laws

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|---|---|---|
| ----- In accordance with the resolution passed in the General Meeting held on 26 June 2001 forty two draft by-laws published by the Minister of Local Government in the Gazette of the Democratic Socialist Republic of Sri Lanka No.520/7 dated 23 August 1988 had been accepted as per the advertisement published in the Gazette dated 27 July 2001, Nevertheless, action had not been taken in accordance with certain by-laws. Even though a by-law had been drafted again in respect of advertising, it had not been passed and also action had not been taken according to the by-law passed. | ----- Action should be taken to enact by-laws and to execute properly. | ----- Action will be taken to make required amendments and to get passed the draft by-law at the moment in respect of the advertisement hoardings. Until then action will be taken according to the by-law relating to advertisements which was in the 42 draft by-laws published by the Minister of the Local Government. |

(b) Action Plan

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|---|---|--|
| ----- The objectives such as awareness on fertilizer production, marketing and compost production and implementation of indoor recycling program which had been planned to be implemented during the year by Annual Action Plan under Solid Waste Management had failed to accomplish. | ----- Action should be taken to achieve the desired goals from the Annual Action Plan. | ----- It is expected to implement a program on indoor compost production, and recycling of waste in the future. |

(C) Delays in Performing Tasks

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|--|---|
| ----- A sum of Rs.24,299,000 had been obtained as key money from 29 lessees in the year 2015 to obtain the necessary funding to construct the first floor of the two storey public shopping complex adjacent to the bus stand Deraniyagala. Even though the relevant trade stalls were to be handed over to the lessees by 12 August 2017, as per the agreement, the construction of the building was not completed even by the end of the year under review. | ----- The constructions should be completed immediately as per the agreement and the objectives must be achieved. | ----- Even though, the contract period was not extended the action will be taken to provide the trade stalls to the lessees as soon as the trade stalls are completed. |

(d) Solid Waste Management

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|---|--|--|
| ----- Even though, 2 tons of waste were collected daily in the authoritative area of the Sabha, no formal Waste Management program had been prepared and implemented. During the rainy season the garbage, pesticides, other chemicals and pollutants are added to the river water due to the irregular disposal of waste collected in the area, but the responsibility of the Sabha to protect the environment had not been adequately established. | ----- A formal arrangement should be prepared for waste management in a manner that protects the environment. | ----- Due to the public protests had arised at the time of the commencing of a solid waste management centre. necessary actions are being taken to construct a biogas unit on a part of the land where the Sabha building is located. |

(e) **Environmental Issues**

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|--|--|
| ----- The gully waste removed from the public toilets at the Fair grounds and at the bus stand had been disposed to the pits which had been cut in the corners of the play ground at the back of the Sabha building and had been put the soil but the water had stayed on these pits. As such there was a risk of mosquito breeding and the spread of Dengue. Furthermore, there was a risk of landslide as that place is located on a rough slope. | ----- An environment friendly proper arrangement should be arranged to dispose gully waste. | ----- It is expected to provide solutions for the disposal of sewage through the proposed bio gas solid waste management project. |

3.2 Human Resources Management

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|---|--|--|
| ----- (a) There were 19 vacancies in the approved cadre of the Sabha. Out of those vacancies one post of Ayurvedic Medical Officer, one post of Technical Officer 03 posts of Development Officer and 04 posts of management service had remained vacant and as such a material impact was made to the performance of the Sabha. | ----- Action should be taken to fill the essential vacancies immediately. | ----- The relevant information had been referred to the Chief Ministry to fill vacancies. Due to the prevailing vacancies, the quantity of duties currently assigned to the officers is large and as such it is unable to get maximum productivity from duties. |

3.3 Assets Management

3.3.1 Assets not Transferred

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|---|--|--|
| ----- Action had not been taken even by the end of the year under review to transfer 04 tractors received from Sabaragamuwa Provincial Council during the period from the year 2010 to 2014. | ----- Action should be taken to transfer the relevant vehicles. | ----- Action will be taken to transfer the tractors and trailers to the Sabha received from the Provincial Council. |

3.3.2 Motor Vehicles Utilization

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|---|---|---|
| ----- The hand tractor valued at Rs.250,000 which had been recommended to auction by the Boards of Survey Reports had not been disposed. | ----- Action should be taken to dispose. | ----- Relevant prices and quality reports are being obtained again and action is being taken to auction. |

3.4 Contract Administration

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|--|---|
| ----- In comparison of payment report with the measurements obtained during the physical examination of the Kovila Upper Road development project in the lower part of Iluktenna which was under the Gamperaliya accelerated rural development program, the overpayments of Rs.135,168 had been made for 2.8 cubes of concrete. | ----- Action should be taken to recover the money overpaid. | ----- Action will be taken to recover the over payment amount of Rs.135,618 from the retention money of relevant contract and from the Deraniyagala Panawala Multipurpose co-operative society ltd. who is the contractor. |

4 Unresolved Audit Observations

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|---|--|
| ----- (a) The value of 03 plots of land in extent of 01 acre 03 roods and 30 perches of the Sabha had not been assessed and accounted for and as such the value of lands and buildings had been under stated. | ----- Action should be taken to assess the value and should be brought to account. | ----- Action will be taken to inspect the lands, and the lands will be assessed at current prices and valued and accounted for. |
| (b) A suitable action had not been taken to recover arrears of trade license fees amounting to Rs.68,600 which had been brought forward since number of years. | Action should be taken to settle. | The recovery is difficult due to many entrepreneurs refused to pay because the arrears amount has related to a past year. |

- | | | |
|---|--|---|
| <p>(c) A sum of Rs.155,000 had been paid to the Divisional Secretary Deraniyagala on 25 July 2018 for the preliminary works of the acquisition of a plot of land in extent of 2 hectares 35.37 perches belonging to a plantation company for a solid waste management project. This work continued until 30 May 2019, but subsequently met with public protests and therefore alternative lands are being examined for this purpose.</p> | <p>Action should be taken to acquire the lands for the solid waste management project and to commence the project.</p> | <p>Necessary, action is being continued to acquire the land.</p> |
| <p>(d) As the water distributed by the Pradeshiya Sabha within the authoritative area of the Sabha is supplied without any proper purification system, the requests have been made for a sufficient Water Supply system from the institutions including the water supply and Drainage Board for a long time. Even though it was planned to construct a water purification system under improvement of Kegalle District Water Supply and Sanitation Project implemented since 01 April 2016 on the World Bank Grants, preliminary activities such as identification of a land, survey of the land and land acquisition only had been done up to now.</p> | <p>Action should be carry out the activities of the water project efficiently.</p> | <p>Necessary action is being taken to acquire the land block.</p> |