

Dehiowita 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 22 April 2020 and the summary report and the Detailed Management Report of the Auditor General on the financial statement had been issued to the Chairman on 29 June 2020 and 19 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 Dehiowita 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
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(a)	Administration charges on the court fines revenue relating to the year under review and 2 preceding years amounting to Rs.139,502 had not been brought to account and as such the creditors had been understated by similar amount.	The expenditure and liabilities relating to the year should be identified correctly and brought to account.	In preparing final accounts for the year 2020, action will be taken to rectify by journal entries.
(b)	A total difference of Rs.14,942,323 was shown between the balances in the financial statements relating to 02 items of accounts and the balances as per subsidiary registers.	The balances shown in the financial statements should be reconciled with the related subsidiary registers.	Action will be taken to examine the subsidiary registers and to rectify in the year 2020.

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
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National Environmental Act No.47 of 1980 as amended by the Acts	A revenue of Rs.80,000 had been deprived of by the	Action should be taken to issue environmental	Action will be taken thereon in the

No.56 of 1988 and No.53 of 2000 Section 23(b) Sabha due to non-obtaining of licences for 20 industries which should be obtained environmental licences according to the due procedure. environmental committees in future.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2019 amounted to Rs.2,865,210 as compared with the excess of recurrent expenditure over revenue of the preceding year amounting to Rs.7,753,004.

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	2019				2018			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
i. Rates and Taxes	3,645,700	3,780,745	4,233,672	3,236,035	3,230,700	3,289,025	4,051,498	3,705,905
ii. Lease Rent	13,750,500	10,320,777	8,377,306	3,714,184	5,955,650	6,083,257	5,645,519	1,929,353
iii. Licence Fees	1,164,200	1,158,625	1,185,125	-	800,000	819,410	819,410	96,518
iv. Other Revenue	68,660,000	163,639,561	133,294,851	91,822,717	55,743,600	59,322,822	55,912,973	37,376,957

2.2.2 Rates and Taxes

(a) Assessment Rates

Audit Observation

The balances of the arrears of rates as at the end of the year under review amounting to Rs.1,147,818 had included a sum of Rs.454,914 remained for over a period of 5 years and a sum of Rs.194,709 remained for over a period of 3 years. The Sabha had not taken action to recover arrears of rates in terms of Section 158 of the Pradeshiya Sabha Act No.15 of 1987.

Recommendation

Action should be taken to recover the arrears.

Comments of the Accounting Officer

Agreed with the Audit Observations.

<p>(b) <u>Acreege Tax</u> Audit Observation ----- The balances of the arrears of acreege tax as at the end of the year under review amounted to Rs.2,089,290 and it included a balance amounting to Rs.1,709,733 remained brought forward for over 05 years.</p>	<p>Recommendation ----- Action should be taken to recover the arrears.</p>	<p>Comments of the Accounting Officer ----- Agreed with the Audit Observations.</p>
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2.2.3 Rent

(a) **Trade Stall Rent**

<p>Audit Observation ----- The balances of the arrears of trade stall rent as at the end of the year under review amounted to Rs.4,902,914 and it included a sum of Rs.2,045,733 and Rs.1,129,683 exceeded 3 years and 1 year respectively.</p>	<p>Recommendation ----- Action should be taken to recover the arrears.</p>	<p>Comments of the Accounting Officer ----- Comments not furnished.</p>
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(b) **Lease Rent**

<p>Audit Observation ----- As the lessee who had taken the Thalduwa weekly fair on lease for the year under review had not paid the rentals properly, the tender had been cancelled on November 2019 and the arrears of lease rent at that time amounted to Rs.333,750. Out of that a sum of Rs.137,500 had been set off from the security deposits but action had not been taken to recover the sum of Rs.196,250 which had to be recovered further.</p>	<p>Recommendation ----- Action should be taken to recover lease rentals.</p>	<p>Comments of the Accounting Officer ----- Legal action has been taken to recover the sum of Rs.196,250 which had to be recovered further after deducting the security deposit amount deposited by the tenderer.</p>
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2.2.4 Court Fines and Stamp Fees

<p>Audit Observation ----- Court fines and stamp fees receivable as at 31 December 2019 from the Chief Secretary of the Provincial Council and other authorities amounted to Rs.15,775,252</p>	<p>Recommendation ----- Action should be taken to obtain the respective money to the Sabha.</p>	<p>Comments of the Accounting Officer ----- Action has been taken to recover court fines of Rs.15,775,252 and action has been taken to recover</p>
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and Rs.29,806,129 respectively. It included the court fines which exceeded 05 years amounting to Rs.1,120,242 and the stamp fees which exceeded 03 years amounting to Rs.15,587,449.

stamp fees as well.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) According to the Section 20 of the draft by-law is being prepared in respect of regulation, monitoring and control over the advertisement hoardings in the authoritative area of the Sabha, the maximum size of an advertisement hoarding that can be displayed at a place of business free of charge was not specified.	It should be specified maximum size of an advertisement hoarding that can be displayed at a place of business free of charge.	The relevant draft of by-law had been referred to the approval of the Governor and the Section 20 of it has been referred again to General Meeting and revised and action will be taken to rectify it.
(b) Value Added Tax of Rs.2,163,505 collected in the year 2010/2011 had been shown in the payable accounts without being remitted to the Commissioner of Inland Revenue even by 31 December 2019.	Action should be taken to settle the payable balances.	Action will be taken to settle the balance of the value added Tax Account as soon as possible.

3.2 Operating Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) In terms of condition 08 of the lease agreement relating to leasing of public lavatory in the ground floor of the Dehiowita public trading complex for the year 2019, the monthly water bill should be paid by the lessee. Nevertheless, the Sabha had paid water bills totalling Rs.35,136 in 03 instances during the year under review.	Action should be taken in terms of the condition No.08 of the agreement.	Even though, the water bill should be paid by the tenderer in terms of the agreement, it has been informed that there is not enough income to pay the water bill. As such the payments had been made by the Sabha Funds on the approval of the finance committee.

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| (b) | In terms of condition 10 of the lease agreement relating to leasing of weekly fair for the years 2017 and 2018, the water bill should be paid by the lessee. But due to non-payment of the bills the water supply had been disconnected. The Sabha had paid re-connection charges and the arrears of water bills amounting to Rs.107,614. But action had not been taken to recover a sum of Rs.77,614 to be recovered further from the lessee out of above amount. | Action should be taken to recover arrears amount. | The legal actions has been instituted to recover a sum of Rs.77,614 receivable from the tenderers of the Thalduwa weekly fair, for the years 2017 and 2018. |
| (c) | Even though the Sabha had decided not to recover the monthly waste tax of the Thalduwa weekly fair amounting to Rs.19,250, action had not been taken thereon in terms of Section 182 of the Pradeshiya Sabha Act No.15 of 1987. | Action should be taken in terms of Pradeshiya Sabha Act. | As per the request of the lessee of the weekly fair that he did not receive sufficient income to pay the monthly rent, water and electricity bills as well as the waste tax, the Sabha had decided not to levy the waste tax. |

4. Accountability and Good Governance

4.1 Unresolved Audit Observations

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Action had not been taken to settle the credit balance of the suspense account brought forward from the year 2019 amounting to Rs.4,533.	Action should be taken to settle.	As per the provisions of laws, it will be referred to the General Meeting in July 2020 and will be settled.
(b) Due to non-availability of toilet facilities for 3 premises with 319.5 square feet proposed for rent to the banks on the first floor of the multi-purpose building complex, where the Pradeshiya Sabha is located, such premises could	Action should be taken to provide toilet facilities and earn revenue or to use it for some other useful purpose.	The Dehiowita Public Library had been established in one of the 03 premises allocated for 03 bank premises in the 1 st floor of the Dehiowita new trading complex and it is intended to expand the public library by using another premises for the

	not be leased to the banks. Accordingly, the expected amount of key money to be collected of Rs.12,000,000 and the monthly rent receivable at the rate of Rs.366,000 per year had been deprived of.		same purpose. The other premises are planned to have a free ayurvedic Dispensary.
(c)	The receivable old arrears of trade stall rent of the meat and fish stalls and the fines thereon as at 31 December 2019 amounted to Rs.125,276 and Rs.23,787 respectively. Out of that amount, a sum of Rs.93,980 had been the old trade stall rent and fines related to the period from the year 1991 to 1997.	Action should be taken to recover arrears of trade stalls rent.	The replies were not received upto now for the letters sent to the Divisional Secretary to obtain the particulars of the relevant tenderers to recover relevant old arrears from meat and fish stalls.
(d)	As the Sabha had not aware in respect of the 2030 Agenda of Sustainable Development Goals, the long term plans to upgrade the livelihood and the health of the people of the authoritative area of the Sabha through global indicators for that objectives had not been prepared for the year 2019.	The long term plans should be prepared.	The long term plans to upgrade the livelihood and the health of the people of the authoritative area of the Sabha through global indicators for sustainable development goals has been prepared for the period from the year 2020 to 2025.
(e)	Even though the unauthorized constructions, settlements etc. had been identified during the annual survey of assets, no action had been taken to remove/ avoid them, to demarcate and secure them and to use them to generate revenue for the Sabha.	Action should be taken to earn revenue.	The complaints had been lodged in the Avissawella Police station regarding the illegal mining activities and thereafter action has been taken to remove the illegal mining activities.