

**Divulapitiya 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 20 March 2012 and the financial statements for the preceding year had been presented on 24 April 2011. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 17 June 2013.

**1.2 Opinion**

In view of the comments and observations appearing in my report forwarded to the Chairman, I am unable to express an opinion on the financial statements of the Divulapitiya Pradeshiya Sabha for the year ended 31 December 2011 presented to audit.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Deficiencies**

The following deficiencies were observed.

- (a) The estimated cost of Rs.2,300,000 of 04 cancelled projects had been brought to account as other revenue in arrears.
- (b) The estimated cost of Rs.8,639,907 of 14 projects which had been expected to implement during the year 2011, but no agreements had been entered into, had been brought to account as creditors.
- (c) The value of Rs.951,165 of the Kekunagahalanda land which had been vested with the Sabha during the year under review had not been included in the lands and buildings account.
- (d) The value of the closing stock of Ayurvedic drugs as at the end of the year under review amounting to Rs.383,080 had not been brought to account and the value of drugs amounting to Rs.625,000 purchased during the year had been written-off against the revenue.

### **1.3.2 Lack of Evidence for Audit**

Transactions totaling Rs.97,435,975 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

### **1.3.3 Unsettled Accounts**

Although an advance given should be settled immediate after the completion of the respective work, advances amounting to Rs.5,442,801 had not been settled even by 19 February 2013.

## **2. Financial and Operating 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 2011 amounted to Rs.28,824,949 as against the excess of revenue over recurrent expenditure amounting to Rs.3,867,075 for the preceding year.

### **2.2 Revenue Administration**

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

Information on the estimated revenue, actual revenue and the arrears of revenue relating to the year under review had not been presented.

#### **2.2.2 Stamp Fees**

Action had not been taken to recover the stamp fees due to the Sabha from the Office of the Land Registrar, Colombo from year 2008 to 2011.

#### **2.2.3 Rates**

(a.) It had been stated in a notification published in the Gazette dated 09 February 2007 that the authoritative area of the Divulapitiya Pradeshiya Sabha is a developed area. Accordingly, the Sabha should fixed rates on the annual value of immovable property in the area published as developed areas in terms of Section

134(1) of the Pradeshiya Sabha Act No.15 of 1987. Nevertheless, rates had been recovered from 15 out of 123 Grama Niladari Divisions of the Sabha.

- (b.) Rates amounting to Rs.4,197,906 over-billed according to the revised assessment of year 2008 had been written-off against the rates in arrears account as per the Sabha decision taken in June 2011 and the approval of the Minister had not been obtained for this, in terms of Section 182 of the Pradeshiya Sabha Act No.15 of 1987.

### **2.3 Budgetary Control**

Although a sum of Rs.32,827,742 had been spent in excess of the provisions for 05 items of expenditure, approval of the Sabha had not been obtained for the excesses.

### **3. Systems and Controls**

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

- (a) Accounting
- (b) Internal Audit
- (c) Financial Control
- (d) Revenue Administration
- (e) Stock Control
- (f) Assets Management