

**Dehiowita Pradeshiya Sabha**  
**Kegalle District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year under review had been presented to audit on 31 March 2014 and the financial statements for the preceding year had been presented on 28 March 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 17 November 2014.

**1.2 Opinion**

In my opinion except for the effects on the financial statements of the matters referred to in Paragraph 1.3 of this report, the financial statements have been prepared in accordance with Sri Lanka Public Sector Accounting Standards and give a true and fair view of the state of affairs of the Dehiowita Pradeshiya Sabha as at 31 December 2013 and the financial results of its operations and cash flows for the year then ended.

**1.3 Comments on Financial Statements**

**1.3.1 Non- compliance with Public Sector Accounting Standards**

- (a.) A statement of change of equity had not been submitted with the financial statements in terms of Section 21(c) of Sri Lanka Public Sector Accounting Standard No.01
- (b.) According to Section 21(e) of the Standard, a reconciliation statement of approved budgeted data of the relevant institution with the actual data or a separate column in the financial statements for budgeted figures should be submitted. However, this had not been submitted.

**1.3.2 Accounting Deficiencies**

- (a.) Court fines in arrears for the year 2012 amounting to Rs.477,337 receivable from the Awissawella Magistrate Courts had not been taken into consideration in computing court fines receivable as at end of the year under review and therefore, it had not been included in the financial statements.
- (b.) Allowances totalling Rs.229,271 for the court fines staff relating to the year 2012 had been shown as an expenditure of the year under review and allowances of Rs.171,496 for the court fines staff for the year under review had not been brought to account.
- (c.) Contributions amounting to Rs.52,381 and Rs.13,095 respectively for the month of December 2013 for the Employees Provident Fund and the Employees Trust Fund had not been brought to account.
- (d.) The value of actual consumption of materials amounted to Rs.1,582,835 whilst the value of purchases amounting to Rs.1,811,021 during the year had been taken as expenditure in computing the expenditure on supplies and equipment for the year under review. Therefore, the expenditure for the year had been overstated by Rs.228,186.

- (e.) Library books valued at Rs.83,122 received as donations during the year under review had not been brought to account.
- (f.) Provision had not been made for audit fees relating to the year under review.
- (g.) The loan balance payable to the Local Loans and Development Fund had been understated by Rs.1,049,292 and therefore, liabilities had been understated by a similar amount.
- (h.) The loans released by the Local Loans and Development Fund, relating to the year under review had been overstated by Rs.2,128,975 and therefore, liabilities had been overstated by a similar amount.

### **1.3.3 Unreconciled Control Accounts**

The total of the balances of accounts relating to 04 items of accounts amounted to Rs.26,393,125 as per the financial statements and the total of the balances as per subsidiary registers/ records amounted to Rs.9,741,208 thus indicating a difference of Rs.16,651,917.

### **1.3.4 Accounts Receivable and Payable**

- (a.) Balances of accounts receivable for over one year as at 31 December 2013 amounted to Rs.52,840.
- (b.) Balances of accounts payable for over one year as at 31 December 2013 amounted to Rs.9,461,172.

### **1.3.5 Non-compliance with Laws, Rules and Regulations**

Non-compliance with the following laws, rules, regulations and management decisions were observed in audit.

<b><u>Reference to Laws, Rules, Regulations etc.</u></b>	<b><u>Non-compliance</u></b>
(a.) Financial Rules of the Sabaragamuwa Provincial Council Paragraphs 283.2, 283.3, 283.4 (a) (b) (c) (d)	- Proper action had not been taken in respect of 15 cheques totaling Rs.881,843 relating to a bank account (general account) that had lapsed 06 months since the date of issue.
(b.) National Environment Act No.47 of 1980 and Schedule iii of the Gazette No.1534/8 dated 01 February 2008.	- Seven licence obtained in year 2009 and 2010 had not been renewed during 2012 and 2013.

## **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 2013 amounted to Rs.6,699,513 as compared with the excess of revenue over recurrent expenditure amounting to Rs.7,385,964 for the preceding year thus showing a deterioration in financial result by Rs.686,451.

### **2.2 Analytical Financial Review**

Overall expenditure of the year under review had been increased as compared with the preceding year and this had been the main reason for the deterioration of the financial result.

## **2.3 Revenue Administration**

### **2.3.1 Performance of Collection of Revenue**

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

<b>Item of Revenue</b>	<b>Estimated</b>	<b>Actual</b>	<b>Cumulative arrears as at 31 December</b>
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	Rs '000	Rs '000	Rs '000
(i) Rates and Taxes	3,593	2,723	870
(ii) Lease Rent	6,579	5,831	748
(iii) Licence Fees	852	859	(7)
(iv) Other Revenue	35,761	32,939	2,822

### **2.3.2 Court Fines and Stamp Fees**

Court fines receivable as at 31 December 2013 from the Chief Secretary of the Provincial Council and other authorities amounted to Rs.3,907,249 and the stamp fees receivable had not been computed and brought to account.

## **3. Operating Review**

### **3.1 Operating Inefficiencies**

The following observations are made.

- (a.) According to the Register of Harmful Trees and the applications, 128 complaints had been recorded for the year 2013. Out of the above, 30 complaints had been referred to the Technical Officers to examine on the matters. But, action had not been taken and reports had not been submitted in this connection.
- (b.) Withholding Tax amounting to Rs.318,393 relating to year 2010 shown under refundable deposits, Nation Building tax amounting to Rs.533,136 relating to 2010, 2011 and 2012 and Value Added Tax amounting to Rs.1,472,555 relating to 2010 and 2011 had not been remitted to the Commissioner General of Inland Revenue.
- (c.) The total of the employees loan balances recoverable as at 31 December 2013 amounted to Rs.3,606,509 and the total of balances outstanding for over 01 year amounted to Rs.75,526.

### **3.2 Uneconomic Transactions**

The Cab bearing No.250-4053 owned by the Sabha had been sent for repairs on 30 April 2012 and 07 months had been taken for repairs. Although a bill for Rs.887,842 had been submitted for repairs, It had to be repair again as the earlier repairs had not been satisfactorily done.

## **3. Accountability and Good Governance**

### **Internal Audit**

An adequate internal audit had not been carried out in respect of finance and stores in terms of 5(7) of the Pradeshiya Sabha (Financial and Administrative) Rules-1988.

**3. Systems and Controls**

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

- (a.) Accounting
- (b.) Recovery of Employees Loans
- (c.) Control over Stores
- (d.) Assets Management