

## **Deraniyagala Pradeshiya Sabha**

### **Kegalle District**

#### **1. Financial Statements**

##### **1.1 Presentation of Financial Statements**

Financial Statements relating to the year under review had been presented on 14 March 2011 while financial statements of the preceding year had been presented for audit on 01 March 2010.

##### **1.2 Opinion**

In view of comments and observations appearing in this report, I am unable to express an opinion on the financial statements of the Deraniyagala Pradeshiya Sabha for the year ended 31 December 2010 presented for audit.

##### **1.3 Comments on Financial Statements**

###### **1.3.1 Accounting Deficiencies**

- (a) Acreage tax amounting to Rs. 1,477 and Rates amounting to RS. 31,340 received during the year under review in respect of the ensuing year had been accounted as an income of the year. Due to that, income for the year had been overstated in a sum of Rs. 32,817 while Receipts in Advance had been understated to that extent.
- (b) Three Wheeler Parking Charges amounting to Rs. 380,150 due as at 30 October 201 had not been shown in the accounts.
- (c) Government Grant of Rs. 591,926 and Cash Transfers of Rs. 505,000 shown in financial statements from the period prior to the year 2002, had been continuously shown in the accounts without being corrected after investigation.

###### **1.3.2 Un-reconciled Control Accounts**

While the total of Control Account balances relating to 08 items of accounts amounted to Rs.39,283,507 the total of balances of those accounts according to subsidiary registers/records amounted to Rs. 39,564,634.

**1.3.3 Accounts Payable**

Value of Accounts balances payable over 01 year as at 31 December 2010 amounted to Rs.2,742,732.

**1.3.4 Non-compliances**

According to the letter No. VW/06/06/07 dated 08 June 2007 of the Alternative Value Added Tax (Retention) Section, 33 1/3% of the Value Added Tax payable to supply contractors and service providers by the agencies on the basis of supplies to those agencies should be retained with effect from 01 January 2007. However, action had not been taken to recover and retain a sum of Rs.2,550 in two instances in such manner.

**2. Financial and Operating review.**

**2.1 Financial Results**

According to the financial statements presented excess of revenue over recurrent expenditure for the year ended 31 December 2010 of the Sabha amounted to Rs.2,495,926, while the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 2,605,989.

**2.2 Revenue Administration**

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

Information relating to estimated revenue, actual revenue and arrears of revenue for the year under review and the preceding year as furnished by the Chairman is given below.

<u>Items of Revenue</u>	<u>2010</u>			<u>2009</u>		
	<u>Estimated</u>	<u>Actual</u>	<u>Accumulated</u> <u>Arrears as at</u> <u>31 December</u>	<u>Estimated</u>	<u>Actual</u>	<u>Accumulated</u> <u>Arrears as at 31</u> <u>December</u>
	<u>Rs</u>	<u>Rs</u>	<u>Rs</u>	<u>Rs</u>	<u>Rs</u>	<u>Rs</u>
	<u>‘000</u>	<u>‘000</u>	<u>‘000</u>	<u>‘000</u>	<u>‘000</u>	<u>‘000</u>
i. Rates and Taxes	2,402	1,835	1,446	2,325	1,707	1,425
ii. Lease Rent	1,997	1,991	06	1,090	1,074	17

iii. License Fees	785	785	11	787	778	26
iv. Other Revenues	5,594	4,575	4,469	3,784	445	3,700

### 2.2.2 Court Fines

Without taking action to compute and recover fines imposed under various Ordinances up to 31 December 2010 by 05 Magistrate Courts, estimated value of Rs. 2,268,505 due to the Sabha had been accounted as revenue for the year.

### 2.2.3 Stamp Fees

Stamp fees amounting to Rs. 1,937,360 were due from the Registrar General as at 31 December 2010.

### 2.2.4 Rates and Acreage Tax

In terms of provisions in Sections 158 and 166 of the Pradeshiya Sabha Act No. 15 of 1987, when any rates or acreage tax is not paid, properties of the owner of such place liable for such tax should be restrain and sold to recover such tax. However, action had not been taken accordingly, to recover arrears mounting to Rs. 473,544 as at 31 december 2010.

### 2.3 Expenditure Structure

The budgeted and the actual expenditure of the Saba together with variances for the year under review and the preceding year is given below.

<u>Item of Expenditure</u>	<b>2010</b>			<b>2009</b>		
	<b><u>Budgeted</u></b>	<b><u>Actual</u></b>	<b><u>Variance</u></b>	<b><u>Budgeted</u></b>	<b><u>Actual</u></b>	<b><u>Variance</u></b>
	<b><u>Rs</u></b>	<b><u>Rs</u></b>	<b><u>Rs</u></b>	<b><u>Rs</u></b>	<b><u>Rs</u></b>	<b><u>Rs</u></b>
	‘000	‘000	‘000	‘000	‘000	‘000
<b><u>Recurrent</u></b>						
<b><u>Expenditure</u></b>						
Personal Emoluments	9,221	8,884	337	8,947	7,981	966
Other	<u>5,494</u>	<u>4,751</u>	<u>743</u>	<u>3,744</u>	<u>4,777</u>	<u>(1,033)</u>
Sub Total	14,715	13,635	1,080	12,691	12,758	(67)

Capital Expenditure	<u>33,315</u>	<u>3,448</u>	<u>29,867</u>	<u>25,435</u>	<u>9,842</u>	<u>15,593</u>
Grand Total	48,030	17,083	30,947	38,126	22,600	15,526
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## 2.4 **Human Resources Management**

### 2.4.1 **Approved and Actual Cadre**

Information relating to approved and actual cadre of the Saba as at 31 December 2010 is given below.

<b><u>Grade of Employee</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>
Staff	01	01
Secondary	13	10
Preliminary	16	16
Others (Casual, Temporary)	03	11

## 2.5 **Assets Management**

### 2.5.1 **Idle and Under-utilized Physical Resources.**

Audit test checks revealed existence of idle and under-utilized physical resources valued at Rs. 577,258.

### 2.5.2 **Accounts Receivable**

While the total of Accounts Receivable balances as at 31 December 2010 amounted to Rs.3,964,079 total of balances due for more than one year amounted to Rs.2,189,822.

### 2.5.3 **Outstanding Staff Loans**

While the total of outstanding balances of staff loans and advances as at 31 December 2010 amounted to Rs. 2,261,069 total of balances due for more than one year amounted to Rs.268,788.

## 2.6 **Operational Inefficiencies**

Vehicle parking charges had been recovered after imposing a bylaw published in Part IV of the Gazette dated 21 January 2010 of the Democratic Socialist Republic of Sri Lanka, in order to control and regulate vehicle parking. Following matters were observed in this connection.

- (a) While the charges recovered for the year 2010 by the vehicle attendant recruited on daily pay basis amounted to Rs. 99,440, salaries paid to him had been Rs. 282,531 causing loss of Rs.183,091 to the Sabha.
- (b) Allowances amounting to Rs. 120,827 also had been paid for duties not performed in 129 days.

2.7 **Contract Administration**

(a) **Completely abandoned Projects.**

A Project estimated to cost Rs. 143,400 had been completely abandoned

(b) **Constructions**

Lapses observed in field inspections carried out with regard to constructions works are shown below.

- (i) Before expiry of 14 days period required after concreting the road, to allow it to get harden, the work had been examined by the Technical Officer and payment had been made.
- (ii) In examining the files relating following works, it was revealed that relevant work had been performed on the date of signing the agreement or prior to that date.

<b><u>Name of the Work</u></b>	<b><u>Observations</u></b>
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(a) Concreting Demedha Thanthrika Kanda Road	While signing the agreement and issue of certificate of competence had been done on 24 March 2010; it was revealed that relevant Samurdhi Group had informed that the work was completed on that date.
(b) Development of Nawela Road across Manchanayake Avenue	The relevant society had informed that the work was completed on 18 October 2010, the date of signing the agreement, while the Technical Officer had recorded the date of completion of the work and date of examination as 29 October 2010. Application for

reimbursement of payment had been made to the Chief Ministry on 28 October 2010.

- (c) Concreting Mawathnna Road, Satakanda Section
- Although the agreement had been signed on 15 October part of Mawathenna Road. 2010, it had been informed by the relevant society that the work was completed on that date. Grama Niladari and Samurdhi Niladari had recorded 12 March 2010 as the date of commencement of work and 13 March 2010 as the date of completion of the work.

(iii) The Quantity Sheets and the Estimates relating to concreting work of Temple Road from the point near the Nakkavita School and concreting work of Perupalla Kadawatha Road had been altered in performance of the works, without approval of a competent authority.

03 **Systems and Controls**

Special attention is drawn to following areas of systems and controls.

- (a) Accounting.
- (b) Contracts Control.
- (c) Assets Control.
- (d) Stock Control.