

## **Deraniyagala Pradeshiya Sabha**

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**Kegalle District**  
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### **1. Financial Statements**

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

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The financial statements for the year under review had been presented to audit on 28 March 2013 and the financial statements for the preceding year had been presented on 30 March 2012. The report of the Auditor General for the year was issued to the Chairman of the Sabha on 31 May 2013.

#### **1.2 Opinion**

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So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Deraniyagala Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2012 and except for the effects on the financial statements of the matters referred to in my report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Deraniyagala Pradeshiya Sabha as at 31 December 2012 and the financial results of its operations for the year then ended.

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

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

- (a) According to the Employees Loan Register, the balance of employees loans outstanding as at 31 December 2012 amounted to Rs.2,321,135 and it had been shown in the balance sheet as Rs.1,446,624. Therefore, assets had been understated by Rs.874,511.

- (b) Although purchase of stocks of water stores and electrical stores amounting to Rs.3,603,870 should be debited to the relevant stock account, it had been accounted under supplies and equipment account as an expenditure of the year.

### **1.3.2 Unreconciled Control Accounts**

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The total of the balances relating to 06 items of accounts was Rs.48,077,000 as per relevant accounts and the total of the balances of accounts as per subsidiary registers/records was Rs.39,699,004 indicating a difference of Rs.8,377,996.

### **1.3.3 Lack of Evidence for Audit**

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Transactions totalling Rs.8,515,688 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

## **2. Financial and Operating Review**

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### **2.1 Financial Results**

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According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2012 amounted to Rs.6,712,146 as compared with the excess of revenue over recurrent expenditure amounting to Rs.5,163,704 for the preceding year.

### **2.2 Revenue Administration**

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

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Information on the estimated revenue, actual revenue and the arrears of revenue in respect of the year under review, as presented by the Chairman is given below.

<b>Item of Revenue</b>	<b>Estimated</b>	<b>Actual</b>	<b>Cumulative Arrears</b>
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as at 31 December

	Rs '000	Rs '000	Rs '000
(i) Rates and Taxes	3,846	5,736	1,890
(ii) Lease Rent	3,718	4,101	383
(iii) Licence Fees	552	662	110
(iv) Other Revenue	6,606	6,635	287

### 2.2.2 Trade Licence Fees

Action had not been taken to carry out annual survey and recover trade licence fees from all the business entities within the area of authority of the Sabha.

### 2.2.3 Court Fines and Stamp Fees

Money receivable as at 31 December 2012 from the Chief Secretary of the Provincial Council and other authorities are given below.

	Rs.
(i.) Court Fines	3,552,994
(ii.) Stamp Fees	2,000,000

### 2.2.4 Water Charges

Action had not been taken to recover a sum of Rs.25,063 due from 13 water consumers.

### 2.3 Idle and Underutilized Physical Resources.

A sample audit examination revealed that assets to the value of Rs.882,129 had remained idle and underutilized.

### 2.4 Operating/ Management Inefficiencies

Action had not been taken to remit the Nation Building Tax amounting to Rs.11,205 collected during 2009 to the Department of Inland Revenue.

## **2.5 Control over Contracts**

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### **Construction of the Koduruwattota Bridge**

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Two Iron Graders dismantled from the old bridge had not been handed-over to the Sabha while constructing the Koduruwattota Bridge on an estimated provision of Rs.2,500,000. Action also had not been taken to obtain the above. Although 10 flat concrete beams with 23 feet long and 2 feet wide should be supply and fix for the above bridge, the 05 concrete beams dismantled from the bridge at the beginning of the Malinbada Road had been used and the payments had been made for the above. The Chairman of the Sabha had informed the Commissioner of Local Government the above situation stating that a financial irregularity of Rs.421,550 has been taken place and had given a CD which included the photographs taken at an examination of the bridge. But no investigation had been taken place in this regard.

## **3. Systems and Controls**

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

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