

**Deraniyagala 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 18 September 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 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 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 Accountancy Policies**

The details of accounting policies followed in the preparation of accounts had not been submitted with the financial statements.

**1.3.2 Accounting Deficiencies**

- (a.) Three vehicles valued at Rs.5,785,875 owned by the Chief Secretary of the Sabaragamuwa Provincial Council had been shown under fixed assets and therefore, the fixed assets had been overstated by a similar amount.
- (b.) Action had not been taken to settle a balance of Rs.512,000 shown as money transfer in the balance sheet under utility services recoverable since a few years.
- (c.) Capital receipts amounting to Rs.190,000 received for Rural Infrastructure Development Projects had been spent through the General Deposits Account and therefore, it had not been brought to account as capital income and expenditure.
- (d.) The stock of P.V.C. pipes valued at Rs.728,750 received as donations during the preceding year had been credited to revenue contribution to capital outlay account during the year under review, instead of crediting the donations account.

**1.3.3 Unreconciled Control Accounts**

The total of the balances of 03 items of account as per financial statements amounted to Rs.10,352,541 and the total of balances as per subsidiary registers/ records amounted to Rs.3,916,461 and the unreconciled difference was Rs.6,436,080.

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

The value of balances of accounts receivable (payments in advance) for over 01 year as at 31 December 2013 amounted to Rs.955,216 and the value of balances payable for over 01 year amounted to Rs.1,611,743.

## **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.1,623,558 as compared with the excess of revenue over recurrent expenditure amounting to Rs.6,712,146 for the preceding year, thus indicating a deterioration of Rs.5,088,588 in the financial result for the year under review.

### **2.2 Analytical Review of the Financial Statements**

Decrease of income from rates and increase of expenditure on salaries and allowances, supplies and equipment, repairs and maintenance of capital assets had mainly contributed to the deterioration of financial result of the year under review as compared with the preceding year.

### **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 and the preceding year as presented by the Chairman is shown below.

	Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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		Rs.'000	Rs.'000	Rs.'000
(i.)	Rates and Taxes	5,895	5,380	515
(ii.)	Lease Rent	5,093	4,094	999
(iii.)	Licence Fees	552	647	94
(iv.)	Other Revenue	17,257	14,059	3,198

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

Action had not been taken to compute and recover the court fines and stamp fees receivable as at 31 December 2013 from 02 Magistrate Courts under various ordinances.

### **2.3.3 Acre Tax**

Action had not been taken in terms of Section 158(1)(a) of the Pradeshiya Sabha Act No.15 of 1987 to recover Acre Tax amounting to Rs.175,922 due for over a long period.

## **3. Operating Review**

### **3.1 Operating Inefficiencies**

The total of the employees loans recoverable as at 31 December 2013 was Rs.2,198,322 according to the Register of Employees Loans and the total of balances in arrears for over 01 year was Rs.219,212.

### **3.2 Contract Administration**

The payments relating to the Road Development Programme -2011 of the Ministry of Ports and Highways should be made within the above year. Nevertheless, the Sabha had not get reimbursed the sum of Rs.500,000 paid for works due to submission of incomplete bills for payment and the delay of the contractor even as at end of 2013.

## **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.) Stock Control
- (b.) Revenue Administration
- (c.) Assets Management