

Dehiowita Pradeshiya Sabha

Kegalle District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 08 July 2015 while Financial Statements relating to the preceding year had been submitted on 31 March 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 03 August 2015.

1.2 Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Dehiowita Pradeshiya Sabha as at 31 December 2014 and its financial performance for the year then ended and cash flows in accordance with Public Sector Accounting Standards of Sri Lanka.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following matters are observed.

- (a) When the balance of Accumulated Fund amounting to Rs. 10,308,230 according to financial statements as at 31 December 2013 is compared with the relevant opening balance of Rs. 7,144,255 in the main Ledger, a difference of Rs. 3,163,975 was observed.

- (b) Stores Materials purchased valued at Rs. 2,555,017 for 04 Programs had been credited to the Accumulated Fund Account instead of crediting the Supplies and Equipment Account under the relevant Program. While the Supplies and Equipment Account had been overstated during the year, due to that, Accumulated Fund Account too had been overstated to that extent.

- (c) Instead of debiting the Audit Fees paid during the year amounting to Rs. 236,053 relevant to past 04 years it had been accounted as expenditure of the year 2014. Due to that, surplus for the year had been understated.
- (d) In addition to the value accounted as Creditors of the year 2014, a further sum totalling Rs. 98542 as Creditors was observed.
- (e) Although Stamp Fees totalling Rs. 11,704,641 should be received in respect of the year 2014 according to Schedule of Stamp Duties, it had been shown as Rs. 11,634,541 in the accounts. Due to that, Revenue for the year and Current Assets had been understated at a rate of Rs. 70,100.
- (f) While a sum of Rs. 6,000,000 had been shown as Stamp Fees due in respect of the year, 2013, a sum of Rs. 3,725,603 during the year 2014 and a sum of Rs. 7,306,713 on 08 April 2015 had been received in respect of that. Accordingly, an under provision of Rs. 5,032,316 was observed for the year 2013. . However, a sum of Rs. 2,274,397 had been adjusted as over provision of Stamp Fees through a journal entry in the year 2014. Due to that, Stamp Fees Receivable and the Accumulated Fund had been understated in a sum of Rs. 7,306,713.
- (g) A sum of Rs. 82,636,161 received as Capital Grants for 251 Works fulfilled in the area of authority of the Sabha on the basis of Provincial Council Funds and Decentralized Grants of other Ministries during the year and a sum of Rs. 64,463,465 spent as Capital Expenditure during the year had been recorded as receipts and payments through the Deposits Account. Due to that those transactions had not been disclosed in the final accounts.
- (h) Although the arrears payable for the Local Government Employees Pension according to the December 2014 Bill was Rs. 1,698,773, it had not been disclosed in the final accounts.

1.3.2 Non-reconciled Control Accounts

While the total of balances as at the end of the year under review relevant to 03 items of accounts according to financial statements was. Rs. 21,357,391, according to the schedules relevant to those accounts the total of balances had been Rs. 21,144,174 indicating a difference of Rs. 213,217.

1.3.3 Accounts Receivable and Payable

- (a) The sum of Rs. 3,015,033 being the total of Value Added Tax, Nation Building Tax and Withholding Tax collected on behalf of the Commissioner General of Inland Revenue during the year 2010/11 had been shown in the Accounts Payable without being remitted to the Commissioner General of Inland Revenue. cavern up to 15July 2015
- (b) A sum of Rs. 103,408 brought forward since 1989 and 1992 being total arrears of Garbage Tax, Stalls Rent and Fines, Meat Stalls and Fish Stalls Fines had been shown under the Receivable Balance without action being taken to recover.

1.3.4 Non-compliance with Laws, Rules and Regulations

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

<u>Reference to Laws, Rules, Regulations etc.</u>	<u>Non-compliance</u>
(a.) <u>Financial Regulations of the Republic Sri Lanka</u>	
F.R. 371	- Two Ad-hoc Advances totalling Rs. 52,839 provided during the years 2011 and 2012 had not been settled even up to 15 July 2015.
F.R. 396 (d)	- Action had not been taken in terms of the financial regulations with regard to 14 cheques totalling Rs.190,840 issued, but not presented for payment, which had elapsed 06 months.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2014 amounted to Rs.8,591,446 as compared with corresponding excess of revenue over recurrent expenditure amounted to Rs. 6,699,514 in the preceding year indicating an improvement of Rs. 1,891,932 in the financial results.

2.2 Revenue Administration

2.2.1 Performance of Collection of Revenue

Information furnished by the Chairman relating to Estimated Revenue, Actual Revenue and Arrears of Revenue for the year under review is shown below.

Source of Revenue	Arrears as at 01.01.2014	Recoveries out of Arrears as at 31.12.2014	Billings during the year	Recoveries out of billings for the year	Recoveries out of arrears as at 01.01.2014	Out of billings for the year	Total Arrears
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
(i) Rates and Taxes	3,901	750	4,046	1,528	3,151	2,518	5,669
(ii) Lease Rent	83	6	3,250	3,250	77	-	77
(iii) Licence Fees	135	20	667	667	115	-	115
(iv) Other Revenue	10,753	6,671	32,488	16,759	3,992	15,728	19,721

2.2.2 Transmission Tower Charges

Although Annual Business Tax should be recovered from the from the date of commencement of transmission services, charges amounting to Rs. 42,000 had not been recovered for the year under review and the year preceding.

2.2.3 Trade License Fees

Out of the Trade License Fees balance of Rs. 114,908, receivable as at 31 December 2014, there were balances amounting to Rs101,511 in arrears old for more than 05 years.

2.2.4 Court Fines and Stamp Fees

While Court Fines Revenue due as at 31 December 2014 from the Chief Secretary to the Provincial Council and other authorities amounted to Rs. 4,000,000, Stamp Fees revenue due was Rs.11,704,541.

3. Operating Review

3.1 Management Inefficiencies

Following observations are made.

- (a) Although Staff Loan balances of Rs. 75,526 due from three Sabha Employees had remained un-recovered during a long period, proper steps had not been taken to recover the loan balances in arrears. A sum of Rs.46,525 due from an interdicted technical officer was included therein.
- (b) Action had not been taken to recover the sum of s. 70,000 due from an ex-Pradeshiya Sabha Member in respect of the Motor Cycle Loan obtained during the year 2012, shown in the Salary Reimbursement Receivable Revenue.
- (c) A total sum of Rs. 1,655,818 received during the year under review for the National Program for Strengthening Pradeshiya Sabha had been withheld in the General Deposits Account without being used.
- (d) Although the annual income with regard to the use of the Bako Machine according to the bank account maintained for that was Rs. 874,930, expenditure had been Rs. 651,152, While a sum of Rs. 1,212,756 for fuel and a sum of Rs. 970,732 for other repairs to the Bako Machine had been debited In addition to the General account of the Sabha, an operational loss of Rs. 1,959,855 was observed when those expenses are taken into account.

3.2 Contracts Administration

While an over payment of Rs. 24,274 had been made in respect of work not performed relating Item of Work No.1 of the Work relevant to construction of security fence of the Dehiowita Garbage management Project, although a sum of Rs.

1,586,260 had been paid for formation of the bund with granite for 48.9cubes, at the physical inspection it was revealed that it been made with normal stones (other than granite) for 48.9 cubes and a sum of Rs.305,570 had been over paid for 11.47 cubes.

4. Accountability and Good Governance

Budgetary Control

While the entire provision for 68 Items of Work totalling Rs. 16,114,500 had been saved, expenditure had exceeded the provision in a sum of Rs. 13,000 for an Item of Expenditure.

5. Systems and Controls

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

- (a.) Accounting
- (b.) Internal Control
- (c.) Budgetary Control
- (d.) Revenue Administration
- (e.) Assets Management