

**Mahiyangana Pradeshhiya Sabha**  
**Badulla District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year under review had been presented to audit on 25 April 2014 and the financial statements for the preceding year had been presented on 11 April 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 16 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 my 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 Mahiyangana Pradeshhiya 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 Decrease in Net Assets**

The net assets of the year under review had been decreased by Rs.9,119,099 as compared with the preceding year.

**1.3.2 Accounting Deficiencies**

- (a.) Accounting policies followed in preparation of financial statements had not been disclosed.
- (b.) Advances amounting to Rs.2,400,000 paid for 16 works during the year under review had been debited to creditors account and therefore, the balance of the creditors account and the balance of the advance account as at 31 December of the year under review had been understated by Rs.2,400,000 each.
- (c.) A provision for debtors amounting to Rs.487,500 had been made in respect of laying concrete to the access road to the Sangabo Place, Dambarawa under Provincial Specific Development Grants-2012. A sum of Rs.462,060 had been received during the year under review and therefore, debtors balance and the balance of the accumulated fund as at 31 December 2013 had been overstated by Rs.25,440 in the financial statements.
- (d.) Audit fees amounting to Rs.18,356 paid during the year under review in respect of the year 2002 had been debited to the creditors account, instead of being debited the audit fees payable account. As such, audit fees payable as at 31 December of the year under review had been overstated by Rs.18,356 and the creditors balance had been understated in the financial statements by a similar amount.
- (e.) Audit fees amounting to Rs.45,024 for the year 2012 had been accounted as an expenditure of the current year and therefore, expenditure of the current year had been overstated in the financial statements by Rs.45,024.
- (f.) The value of the balance stock as at 31 December of the year under review had not been brought to account.
- (g.) Revenue in arrears amounting to Rs.96,738 included in the opening balances of the year under review had not been brought to account.

### 1.3.3 Accounts Receivable and Payable

According to the financial statements presented, the value of the balances of accounts receivable as at 31 December of the year under review amounted to Rs.16,677,396 and the value of the balances of accounts payable amounted to Rs.16,242,449.

### 1.3.4 Lack of Evidence for Audit

Transactions totaling Rs.11,516,721 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

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

Instances of non-compliance with laws, rules and regulations observed in audit are shown below.

<u>Reference to Laws, Rules, Regulations etc.</u>	<u>Non-compliance</u>
(a.) Section 132 of the Pradeshiya Sabha Act No.15of 1987	- A sum of Rs.169,950 had been spent at 10 instances for providing assistance in material to the individuals and community based organizations without the prior approval of the Minister in charge of the subject of Local Government.
(b.) Rule 180 of the Pradeshiya Sabha (Financial and Administrative) Rules - 1988	- Three officers who collect revenue and handle money and stores had not kept employee security deposits.
(c.) <u>Establishments Code of the Republic of Sri Lanka</u>	
(i.) Section 12.5.1 of Chapter vii	- A sum of Rs.23,152 had been overpaid at 06 instances from January to June 2013 in respect of acting in the post of Secretary of the Sabha.
(ii.) Section 1:6 and 4 of Chapter xxiv	- Employees loans amounting to Rs.67,775 due from 19 employees/officers who had left the service of the Sabha, retired, transferred and deceased.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2013 amounted to Rs.288,213 as against the excess of revenue over recurrent expenditure amounting to Rs.1,998,024 for the year ended 31 December resulting in an adverse variance of Rs.2,286,237.

### 2.2 Analytical Financial Review

An analytical review of the net decrease in the financial result is shown below.

<u>Recurrent Revenue</u>	<u>2013</u>	<u>2012</u>	<u>Variance</u>
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
Rates and Taxes	1,532,873	1,562,548	(29,675)
Lease Rent	7,258,609	7,293,817	(35,208)
Licence Fees	2,978,214	2,576,500	401,714
Service Charges	5,952,527	5,687,961	264,566

Warrant Charges and Fines	1,561,471	1,215,329	346,142	
Other Revenue	850,831	803,436	47,395	
Revenue Aid	17,547,833	14,354,138	3,193,695	4,188,629
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<b><u>Recurrent Expenditure</u></b>				
Personnel Emoluments	23,144,598	21,279,251	(1,865,347)	
Travelling Expenses	435,940	471,803	35,863	
Supplies and Equipment	2,844,522	1,609,458	(1,235,064)	
Repairs and Maintenance of Capital Assets	1,053,587	1,428,074	374,487	
Transport and Utility Services	8,070,430	4,558,937	(3,511,493)	
Payment of Interest, Dividends and Bonus	-	597,968	597,968	
Aid, Contributions and Subsidies	2,420,494	1,549,214	(871,280)	(6,474,866)
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		Adverse Variance		2,286,237
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## **2.3 Revenue Administration**

### **2.3.1 Rates and Taxes**

Rates and taxes should be revised once in 05 years and recovered accordingly. Nevertheless, rates and taxes had been recovered for the year under review too based on the assessment of year 2001.

### **2.3.2 Licence Fees**

According to Rule 59 and 60 of the Pradeshiya Sabha (Financial and Administrative) Rules - 1988, a survey should be carried out at the beginning of the year in order to identify the trading institutions from which trade licence should be charged within the area of the Sabha. However, a survey of trade licence for the year under review had not been carried out.

### **2.3.3 Court Fines and Stamp Fees**

Court fines and stamp fees receivable as at 31 December 2013 from the Chief Secretary of the Provincial Council and other authorities are shown below.

	Rs.
Court Fines	1,587,570
Stamp Fees	1,905,688
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	3,493,258
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## **3. Operating Review**

### **3.1 Idle Assets**

- (a.) The Cab bearing No.53-5096 taken for Army war operations had not been taken-back by the Sabha on 11 October 2011 and action had not been taken to do required repairs and to use the cab.
- (b.) The Mack Power Electricity Generator with a capacity of 12.5KVA had been broken down and it had been kept in stores-yard without being repaired and used it.
- (c.) The Tractor bearing No.37-7490 had been parked in the Sabha-yard, without being used.

### 3.2 Disposal of Waste

The Sabha is not operating a solid waste management project presently and the waste collected within the area of the Sabha is disposed of to the Dodanwatta land, Mahiyangana owned by the Sabha in an improper manner.

## 4. Accountability and Good Governance

### 4.1 Budgetary Control

The following variances were observed between the budgeted income and expenditure of the Sabha for the year 2013 and the actual income and expenditure.

<u>Recurrent Revenue</u>	<u>Budgeted</u> <u>Rs.</u>	<u>Actual</u> <u>Rs.</u>	<u>Variance</u> <u>Rs.</u>	<u>Percentage of</u> <u>Variance %</u>
Rent	10,273,770	7,258,609	3,015,161	29.3
Licence Fees	2,210,000	2,978,214	768,214	34.7
Service Charges	8,156,000	5,952,527	2,203,473	27.0
Revenue Aid	15,375,285	17,547,833	2,172,548	14.1
 <b><u>Recurrent Expenditure</u></b>				
Travelling Expenses	815,000	435,940	379,060	46.5
Supplies and Equipment	2,530,000	2,844,522	314,522	12.4
Repairs and Maintenance of Capital Assets	4,110,000	1,053,587	3,056,413	74.3
Transport and Utility Services	5,272,000	8,070,430	2,798,430	53.0
Payment of Interest , Dividends and Bonus	564,840	-	564,840	100.0
Aid, Contributions and Subsidies	-	2,420,494	2,420,494	100.0

### 3. Systems and Controls

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

- (a.) Accounting
- (b.) Stores Control