

Meegahakivula Pradeshiya 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 28 May 2014 and the financial statements for the preceding year had been presented on 04 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 Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Meegahakivula 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 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.8,090,902 and the value of the balances of accounts payable amounted to Rs.12,709,110.

1.3.2 Lack of Evidence for Audit

Transactions totaling Rs.20,638,947 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

1.3.3 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 Sabah Act No.15 of 1987	- A sum of Rs.12,500 had been spent at an occasion for providing material aid to the 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	- Employees security deposits had not been kept by officers collecting revenue and having the custody of money and stores.
(c.) Financial Regulation 571 of the Republic of Sri Lanka	- Deposits amounting to Rs.16,000 for which no claims had been made within 02 years of depositing the money; had not been taken to revenue.
(d.) Circular No.PF/427/1 dated 13 March 2008 of the Secretary to the Treasury	- Insurance coverage had not been obtained for the Tractor bearing No.UPRB-9997 owned by the Sabha.

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.218,966 as compared with the excess of recurrent expenditure over revenue amounting to Rs.687,861 for the preceding year. As such, a favourable variance of Rs.468,895 was observed.

2.2 Analytical Financial Review

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

<u>Recurrent Revenue</u>	<u>2013</u>	<u>2012</u>	<u>Variance</u>	
	Rs.	Rs.	Rs.	
Rates and Taxes	753,018	1,068,842	(315,824)	
Lease Rent	1,780,358	1,461,050	319,308	
Licence Fees	320,299	346,606	(26,307)	
Service Charges	758,687	839,223	(80,536)	
Warrant Charges and Fines	637,904	366,886	271,018	
Other Revenue	295,025	300,160	(5,135)	
Revenue Aid	8,603,698	7,491,177	1,112,521	1,275,045

<u>Recurrent Expenditure</u>				
Salaries and Allowances	9,888,554	9,009,155	(789,399)	
Travelling Expenses	309,686	290,499	(19,187)	
Supplies and Equipment	317,658	433,432	115,774	
Repairs and Maintenance of Capital Assets	1,764,276	2,020,119	255,843	
Transport and Utility Services	656,641	547,433	(109,208)	
Payment of Interest, Dividends and Bonus	10,000	-	(10,000)	
Aid, Contributions and Subsidies	347,963	72,245	(275,718)	
Pensions, Pensionery Benefits and Gratuities	73,178	98,923	25,745	806,150
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			Favourable Variance	468,895
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2.3 Revenue Administration

2.3.1 Performance of Collection of Revenue

The progress of recovery of arrears as at 01 January 2013 relating to water charges and stall rent was less than 74% and the progress of recovery of revenue billed for the year in respect of water charges was less than 68%.

2.3.2 Lease Rent

Lease rent in arrears amounting to Rs.123,181 in respect of lease of Weekly Fair of the Meegahakivula Town for the year 2006 had not been recovered even as at 31 December of the year under review.

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	383,373
Stamp Fees	1,151,471

	1,534,844
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3. Operating Review

3.1 Idle Assets

The building constructed for a Dolomite Project at a cost of Rs.533,100 under decentralized budget provisions of the year 2002 had remained idle since year 2003 as the Project had not been commenced and had abandoned.

3.2 Disposal of Waste

The Sabha is not implementing a solid waste management project and the waste collected within the area of the Sabha is dumped to a land near 13th mile post of the Badulla Road in an improper manner.

4. Accountability and Good Governance

4.1 Non-compliance with the Sri Lanka Public Sector Accounting Standards

The financial statements for the year under review prepared and submitted by the Sabha had not been prepared in accordance with the Sri Lanka Public Sector Accounting Standards.

4.2 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>Actual</u>	<u>Variance</u>	<u>Percentage of</u>
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Variance %</u>
Rates and Taxes	1,153,000	753,018	399,982	34.6
Licence Fees	200,500	320,299	119,799	59.7
Service Charges	2,505,000	758,687	1,746,313	69.7
Other Revenue	374,000	295,025	78,975	21.1
Revenue Aid	7,518,294	8,603,698	1,085,404	14.4
<u>Recurrent Expenditure</u>				
Travelling Expenses	360,000	309,686	50,314	13.9
Supplies and Equipment	437,000	317,658	119,342	27.3
Repairs and Maintenance of Capital Assets	2,050,000	1,764,276	285,724	13.9
Transport and Utility Services	815,000	656,641	158,359	19.4
Aid, Contributions and Subsidies	272,500	347,963	75,463	27.6
Pensions, Pensionery Benefits and Gratuities	142,304	73,178	69,126	48.5

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