

Uva Paranagama 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 27 June 2014 and the financial statements for the preceding year had been presented on 06 June 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 26 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 Uva Paranagama 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 Non-compliance with Sri Lanka Public Sector Accounting Standards

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

1.3.2 Accounting Deficiencies

Provision had not been made in respect of 19 works for which bills had not been submitted as at 31 December of the year under review and therefore, the expenditure for the year and the creditors had been overstated in the financial statements by Rs.400,000 each.

1.3.3 Unreconciled Control Accounts

A difference of Rs.177,230 was observed between the balance sheet and the subsidiary records in respect of the balance of refundable deposits shown in the financial statements submitted for audit.

1.3.4 Accounts Receivable and Payable

The value of balances of accounts receivable as at 31 December of the year under review amounted to Rs.35,233,894 and the value of balances of accounts payable amounted to Rs.16,962,949.

1.3.5 Lack of Evidence for Audit

Land and buildings valued at Rs.25,680,163 could not be satisfactorily vouched in audit due to the non-submission of schedules with values and ledger accounts.

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.

Reference to Laws, Rules, and Regulations	Non-compliance
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(a) Section 19(1)(i) of the Pradeshiya Sabha Act, No.15 of 1987	The prior approval of the Commissioner of Local Government had not been obtained in recruiting 11 employees on contract basis.
(b) Section 23”A” of the Environmental Act, No.47 of 1980 as amended by Act, No.56 of 1988 and Act, No.53 of 2000	Environment licence had not been issued for the fuel filling station operated within the area of the Sabha, eventhough an environment licence should be obtained in terms of the provisions of the Act. Further, action had not been taken to identify the activities carrying out by the 35 grinding mills and 10 carpentries which had obtained trade licence from the Sabha for year 2013; in order to issue environment licence.
(c) <u>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</u> Financial Regulation 371	Advances amounting to Rs.296,757 given by the Sabha at 09 instances during the period 1991 to 2011 had not been settled even by 31 December 2013.

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 of the year under review amounted to Rs.13,219,576 as compared with excess of revenue over recurrent expenditure amounting to Rs.6,300,965 for the preceding year, thus, indicating a favourable variance of Rs.6,918,611 in the financial result.

2.2 Analytical Financial Review

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

Recurrent Revenue	2013	2012	Variance	
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	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	1,999,131	1,808,775	190,356	
Rent	1,101,829	1,079,037	22,792	
Licence Fees	627,811	650,810	(22,999)	
Service Charges	5,484,549	9,182,819	(3,698,270)	
Warrant Charges and Fines	1,534,486	1,517,948	16,538	
Other Revenue	9,525,223	636,926	8,888,297	
Revenue Aid	11,637,238	9,039,679	<u>2,597,559</u>	7,994,273
<u>Recurrent Expenditure</u>				
Salaries and Allowances	13,293,467	11,383,550	(1,909,917)	
Travelling Expenses	539,850	509,318	(30,532)	
Supplies and Equipment	1,419,299	1,087,341	(331,958)	
Repairs and Maintenance of Capital Assets	} 695,574	1,874,509	1,178,935	
Transport, and other Services	} 2,457,776	2,523,840	66,064	
Aid, Contributions and Subsidies	} 101,490	33,245	(68,245)	
Pensions, Pensionary Benefits and Gratuities	} 183,236	203,227	<u>19,991</u>	
				<u>(1,075,662)</u>
	Favourable	Variance		6,918,611
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2.3 Revenue Administration

2.3.1 Lease Rent

- There were arrears amounting to Rs.164,299 relating to periods ranging 13 to 58 months as at 31 December 2013 in respect of certain stalls owned by the Sabha and the above rent in arrears had not been recovered.
- Court cases had been filed to recover stall rent in arrears relating to the period 1990-1996 in respect of 08 stalls and the arrears had not been recovered according to the verdict given. The rent in arrears for these stalls as at 31 December 2013 amounted to Rs.108,616.

2.3.2 Licence Fees

Action had not been taken to identify the businesses through a proper survey that are obliged to pay trade licence fees for the year 2013.

2.3.3 Court Fines and Stamps Fees

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

	<u>Rs.</u>
(i) Court Fines	3,653,693
(ii) Stamp Fees	1,740,208

3 Operating Review

3.1 Management Inefficiencies

According to the Circular No.1980/46 dated 31 December 1980 of the Commissioner of Local Government, the monthly lease rent of stalls should be assessed at least once in 05 years through the Chief Valuer or a Valuer of the Local Authorities. However such assessment had not been done in respect of 79 stalls owned by the Sabha.

3.2 Operating Inefficiencies

- (a) Action had not been taken to enact by-laws and recover charges in respect of operating communication towers within the area of the Sabha and 04 communication towers had been constructed within the area of the Sabha by year 2013.
- (b) Deposits amounting to Rs.84,900 kept by 13 employees of the Sabha as security deposits had not been invested in bank accounts by individual names.

3.3 Idle/Underutilized Assets

- (a) The Double Cab No.53-5074 taken for Army operations during the year 1993 had not re-vested with the Sabha even by June 2014.
- (b) Action had not been taken to dispose of or to use the Farm Master Hand Tractor No.EMDI-120.
- (c) The building constructed utilizing funds amounting to Rs.1,107,927 with the objective of benefaction of 200 families under Facilitating Livelihood of Dry-Zone by the International Food and Agriculture Organization had been opened on 31 October 2012, but, it had remained unutilized.

4. Accountability and Good Governance

Budgetary Control

Significant variances were observed between the budgeted income and expenditure shown in the budget prepared by the Sabha for the year under review and the actual income and expenditure. Therefore, it was observed that the budget had not been made use of an effective tool of control.

Recurrent Revenue	Budgeted	Actual	Variance	Percentage of Variance
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	Rs.	Rs.	Rs.	%
Rates and Taxes	1,521,540	1,999,131	477,591	31
Licence Fees	823,500	627,812	195,688	24
Service Charges	3,160,000	5,484,549	2,324,549	73
Other Revenue	723,000	9,525,223	8,802,223	1217
Revenue Aid	10,022,196	11,637,238	1,615,042	16
Recurrent Expenditure				
Salaries and Allowances	11,381,456	13,293,467	1,912,011	16
Supplies and Equipment	1,085,000	1,419,299	334,299	31
Repairs and Maintenance of Capital Assets	970,000	695,574	274,426	28
Transport, and Utility Services	2,890,000	2,457,776	432,224	15
Aid, Contributions and Subsidies	254,000	101,490	152,510	60
Pensions, Pensionary Benefits and Gratuities	230,015	183,236	46,779	20

5. **Systems and Controls**

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

- (a) Assets Management
- (b) Revenue Administration