

Passara 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 08 May 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 Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Passara Pradeshiya Sabha as at 31 December 2013 and the financial results of its operations for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

- (a.) A sum of Rs.184,871 had been received from the Provincial Council during the year under review for 02 works implemented under Criteria Based Aid during the year under review. Of this, a sum of Rs.166,384 had been paid to the contractors. A sum of Rs.184,871 each had been accounted under debtors and creditors as at end of the year and as such, the debtors balance and the creditors balance respectively had been overstated in the financial statements by Rs.184,871 and Rs.166,384.
- (b.) A sum of Rs.247,695 had been paid in October 2013 for providing sports equipment to the Passara Children's Park. However, a sum of Rs.300,000 had been accounted under creditors as at end of the year under review and as such the creditors balance had been overstated in the financial statements by Rs.52,305.
- (c.) The balance of employees' loans amounting to Rs.4,448,060 as at 31 December of the year under review had been accounted as Rs.4,473,060 making an understatement of Rs.15,000.
- (d.) The value of water and other stores items as at end of the year under review amounted to Rs.134,768 and this had been accounted as Rs.104,839 understating the above by Rs.29,929.

1.3.2 Accounts Receivable and Payable

According to the financial statements presented, the balance of accounts receivable as at 31 December of the year under review amounted to Rs.15,799,024 and the balance of accounts payable amounted to Rs.9,089,002.

1.3.3 Lack of Evidence for Audit

Nine items of accounts valued at Rs.20,901,162 could not be satisfactorily vouched in audit due to the non-submission of detailed schedules and Board of Survey Reports supporting the balance.

1.3.4 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.) Rule 217 and 218 of the Pradeshiya Sabha (Financial and Administrative) Rules - 1988	- The Chairman had not taken action to verify all the lands and buildings owned/ used by the Sabha once in every year.
(b.) Financial Regulation 371 of the Democratic Socialist Republic of Sri Lanka	- Action had not been taken in terms of regulations to get settle the advances amounting to Rs.64,496 paid at 02 instances prior to year 2006.
(c.) Circular No.1980/46 dated 31 December 1980 of the Commissioner of Local Government	- Monthly lease rent of 20 stalls of the Passara Weekly Fair site had not been assessed in terms of the provisions of the Circular.

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.8,783,025 as compared with the excess of revenue over recurrent expenditure amounting to Rs.9,027,861 for the preceding year indicating a net decrease of Rs.244,836 in the financial result.

2.2 Analytical Financial Review

The net decrease of financial result for the year under review as compared with the preceding year amounted to Rs.244,836 and an analysis of it is shown below.

<u>Recurrent Revenue</u>	<u>2013</u>	<u>2012</u>	<u>Variance</u>	
	Rs.	Rs.	Rs.	
Rates and Taxes	2,919,897	2,850,907	68,990	
Rent	10,507,086	10,265,563	241,523	
Licence Fees	1,492,878	1,558,387	(65,509)	
Service Charges	652,659	575,392	77,267	
Warrant Charges and Fines	3,878,885	1,588,440	2,290,445	
Other Revenue	2,571,806	5,301,998	(2,730,192)	
Revenue Aid	16,710,749	13,308,223	3,402,526	3,285,050

Recurrent Expenditure

Personnel Emoluments	23,296,894	19,435,197	(3,861,697)	
Travelling Expenses	504,058	462,046	(40,012)	
Supplies and Equipment	2,147,911	2,217,990	70,079	
Repairs and Maintenance of Capital Assets	1,269,308	1,914,298	644,990	
Transport and Utility Services	1,268,405	1,222,056	(46,349)	
Aid, Contributions and Subsidies	776,294	542,172	(234,122)	
Pensions, Pensionery Benefits and Gratuities	688,065	627,290	(60,775)	(3,529,886)
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		Net Decrease in Financial Result		(244,836)
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2.3 Revenue Administration

2.3.1 Performance of Collection of Revenue

The progress of recovery of arrears relating to rates and taxes, acre tax and stall rent as at 01 January 2013 was less than 50% and the progress of recovery of acre tax, water tax and stall rent billed for the year was less than 55%.

2.3.2 Lease Rent

(a.) Monthly rent of 20 stalls of the Passara Weekly Fair Site had been get assessed during the year 2005. But this assessment had not been implemented even as at end of 2013 and the Sabha had deprived of a significant amount of income due to recovery of rent at old lease rent recovered prior to year 2005.

- (b.) The rent in arrears for 16 stalls of the Passara Weekly Fair Site relating to a period of 16 to 108 months amounted to Rs.550,975 as at 31 December 2013 and this had not been recovered.

2.3.3 Licence Fees

Trade licence fees amounting to Rs.55,500 recoverable in respect of the preceding year had not been recovered even up to the end of the year under review.

2.3.4 Court Fines and Stamp 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	5,086,965
(ii) Stamp Fees	2,335,317

3. Operating Review

3.1 Management Inefficiencies

- (a.) Businesses operate within the area of the Sabha that should obtain environment licence had not been identified through a formal survey in terms of Section 23 “a” of the National Environment Act No.47 of 1980 as amended by Act No.56 of 1988 and Act No.53 of 2000. Further, the validity period of the licence had been expired in respect of 06 businesses for which licence had been issued and attention had not been paid to obtain new licence.
- (b.) Action had not been taken in terms of the provisions of the Circular No.2004/ප්‍රජ/1 dated 26 January 2004 of the National Library and Archives Services Board in respect of the shortage of 333 books identified at the survey carried out for year 2013.
- (c.) The lessees of 03 stalls leased out by the Sabha had defaulted payment of electricity charges amounting to Rs.56,626 and it had been paid to the Ceylon Electricity Board from the Sabha funds. This had not been recovered from the relevant parties by the Sabha even as at end of the year under review.
- (d.) Action had not been taken in terms of Financial Regulation 189 in respect of 03 dishonoured cheques valued at Rs.69,212 received as revenue by the Sabha during 1996 and 2004 and this money had not been recovered.

3.2 Idle/ Underutilized Assets

The Cab taken for army operations in 1995 had been returned to the Sabha in 2009 and it had been parked in the Sabha yard in a dilapidated condition.

4. Accountability and Good Governance

4.1 Budgetary Control

Significant variances were observed between the budget prepared by the Sabha for the year under review and the actual data in respect of certain items of revenue and expenditure. Therefore it was observed that the budget had not been made use of as an effective tool of management control. Details are shown below.

<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	3,240,000	2,919,897	320,103	9.8
Rent	12,020,000	10,507,086	1,512,914	12.5
Licence Fees	1,357,000	1,492,878	135,878	10.0
Service Charges	972,000	652,659	319,341	32.8
Warrant Charges and Fines	4,067,000	3,878,885	188,115	4.6
Other Revenue	4,491,000	2,571,805	1,919,195	42.7
Revenue Aid	14,779,000	16,710,749	1,931,749	13.0
Capital Aid	4,893,000	8,190,991	3,297,991	67.4

Recurrent Expenditure

Salaries	22,778,000	23,296,893	518,893	2.2
Travelling Expenses	797,000	504,057	292,943	36.7
Supplies and Equipment	2,887,000	2,147,911	739,089	25.6
Repairs and Maintenance of Capital Assets	1,995,000	1,269,308	725,692	36.3
Transport and Utility Services	2,170,000	1,268,405	901,595	41.5
Aid, Contributions and Subsidies	1,444,000	776,294	667,706	46.2
Pensions, Pensionery Benefits and Gratuities	878,000	668,065	189,935	21.6
Capital Expenditure	12,870,000	14,295,545	1,425,545	11.0

3. Systems and Controls

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

- (a.) Revenue Administration
- (b.) Budgetary Control