

**Rideemaliyedda 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 09 June 2014 and the financial statements for the preceding year had been presented on 21 May 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 Rideemaliyedda 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 Accounting Deficiencies**

(a.) Members' allowances amounting to Rs.56,500 receivable for December 2013 had not been brought to account as revenue for the year under review and therefore the deficit for the year had been overstated by Rs.56,500 in the financial statements and the debtors as at 31 December 2013 had been understated by Rs.56,500.

(b.) The value of works completed on 04 works implemented during the year under review amounted to Rs.1,550,061 whilst provisions for creditors had been made at the estimated value of Rs.1,659,027. Therefore, creditors as at 31 December 2013 had been overstated in the financial statements by Rs.108,966.

(c.) Provision for debtors and creditors had been made for 02 works not completed during the year under review and therefore, debtors and creditors as at 31 December 2013 had been overstated in the financial statements by Rs.134,000 each.

**1.3.2 Accounts Receivable and Payable**

According to the financial statements presented, the value of accounts receivable as at 31 December of the year under review amounted to Rs.5,834,380 and the value of accounts payable amounted to Rs.5,718,028.

**1.3.3 Lack of Evidence for Audit**

Land and buildings valued at Rs.26,931,853 could not be satisfactorily vouched in audit due to the non-submission of title deeds and vesting orders.

**1.3.4 Non-compliance with Laws, Rules and Regulations**

Employees loans amounting to Rs.42,462 due from 09 employees/ officers who had vacated their posts and the reasons for non-recovery is not known had not been recovered in terms of Section 1:6 and 4 of Chapter xxiv of the Establishments Code of the Republic of Sri Lanka.

## 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.1,291,192 as compared with the excess of revenue over recurrent expenditure amounting to Rs.2,190,526 for the preceding year showing an adverse variance of Rs.899,334.

### 2.2 Analytical Financial Review

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

<u>Recurrent Revenue</u>	<u>2013</u>	<u>2012</u>	<u>Variance</u>	
	Rs.	Rs.	Rs.	
Taxes	114,286	-	114,286	
Rent	2,129,205	1,291,790	837,415	
Licence Fees	626,125	786,998	(160,873)	
Service Charges	544,956	679,700	(134,744)	
Warrant Charges and Fines	195,759	1,613,554	(1,417,795)	
Other Revenue	690,902	479,968	210,934	
Revenue Aid	9,058,667	5,977,169	3,081,498	2,530,721
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<u>Recurrent Expenditure</u>				
Salaries and Allowances	8,882,849	6,149,551	(2,733,298)	
Travelling Expenses	288,605	205,422	(83,183)	
Supplies and Equipment	1,734,042	1,462,175	(271,867)	
Repairs and Maintenance of Capital Assets	761,417	508,295	(253,122)	
Transport, Utility and Other Services	199,880	186,542	(13,338)	
Payment of Interest, Dividends and Bonus	58,342	66,112	7,770	
Aid, Contributions and Subsidies	100,000	-	(100,000)	
Pensions, Pensionery Benefits and Gratuities	43,573	60,556	16,983	(3,430,055)
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			Adverse Variance	(899,334)
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### 2.3 Revenue Administration

#### 2.3.1 Licence Fees

(a.) According to Rule 67 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 the trading licence fees should be recovered within the area of the Sabha. However, a survey on trade licence had not been carried out for the year 2013.

- (b.) A survey had not been carried out to identify the industries, businesses etc. within the area that should obtain environment licence in terms of the provisions of National Environmental Act No.49 of 1980 as amended by Act No.56 of 1988 and the Act No.52 of 2000.

### **2.3.2 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	485,499
Stamp Fees	432,950
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	918,449
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## **3. Operating Review**

### **3.1 Operating Inefficiencies**

The Ministry of Ports and Highways, under their Rural Roads Development Project- Maga Neguma for the year 2013, reimburse the value of works relating to laying concrete blocks for the roads only after completing the works. But, even agreements had not been signed up to 31 December of the year under review for 08 roads to the value of Rs.4,000,000.

### **3.2 Idle Assets**

- (a.) The Cab bearing No.53-5072 had been taken by the Army for operational activities and had been returned to the Sabha on 18 March 2008. This had been kept idle in the Sabha yard since then without action being taken to repair or to dispose of in a suitable manner.
- (b.) The Three Wheeler bearing No.39-1387 given by the Bandarawela Pradeshiya Sabha on 01 March 2005 had been parked in the Sabha yard since March 2012 without being used for any purpose.
- (c.) Two official quarters owned by the Sabha had been dilapidated without being used for any purpose.

### **3.3 Contract Administration**

- (a.) Advances amounting to Rs.310,782 had been paid in December 2013 for 04 works and these works had not been completed even by June 2014.
- (b.) According to the agreements entered into between the Sabha and the community based organizations in respect of contracts, a sum of Rs.2,099,079 had been paid in 08 instances for 06 works. However, the cheques for above payments had been issued in names of other outside parties.

### **3.4 Solid Waste Management**

The Sabha had not implemented a solid waste management system and the waste collected by the Sabha is dumped into a pit dug in the Andaulpatha Fair Site in an improper manner.

#### 4. Accountability and Good Governance

##### 4.1 Budgetary Control

The following variances were observed in comparing budgeted revenue and expenditure for the year 2013 with the actual revenue 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>
Taxes	52,000	114,286	62,286	119.7
Rent	139,110	2,129,205	1,990,095	143.0
Service Charges	682,000	544,956	137,044	20.0
Warrant Charges and Fines	146,200	195,759	49,559	33.8
Other Revenue	263,750	690,903	427,153	161.9
Revenue Aid	7,423,825	9,058,667	1,634,842	22.0

##### Recurrent Expenditure

Salaries and Allowances	7,649,825	8,882,850	1,233,025	16.1
Supplies and Equipment	1,404,500	1,734,042	329,542	23.4
Repairs and Maintenance of Capital Assets	472,000	761,417	289,417	61.3
Payment of Interest , Dividends and Bonus	70,000	58,342	11,658	16.6
Aid, Contributions and Subsidies	90,000	100,000	10,000	11.1
Pensions, Pensionery Benefits and Gratuities	25,000	43,573	18,573	74.2

#### 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.) Contract Administration