

Haldummulla Pradeshiya Sabha

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Badulla District  
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1. Financial Statements

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1.1 Presentation of Financial Statements  
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Financial Statements for the year under review had been submitted to the Audit on 30 March 2016 while Financial Statements relating to the preceding year had been submitted on 07 May 2015. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 06 September 2016.

1.2 Opinion

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In my opinion except for the effect on the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Haldummulla Pradeshiya Sabha as at 31 December 2015 and its financial performance for the year then ended in accordance with generally accepted accounting principles.

1.3 Comments on Financial Statements

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1.3.1 Accounting Deficiencies  
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Following accounting deficiencies are observed in audit.

- (a) Values of the Water Bowser and the Backhoe Loader received as donations to the Sabha had been understated in the accounts by Rs. 4,684,253 and Rs. 954,179 respectively.
- (b) Value of Motor vehicles had been overstated in the financial statements by Rs. 3,515,000 due to incorrect adjustments made relevant to past years in the Motor Vehicles and Carts Account.
- (c) Value of savings totaling Rs. 880,526 relevant to two savings accounts belong to the Sabha at the end of the year under review had not been shown in the financial statements.
- (d) The value of Courts Fines in arrears amounting to Rs. 265,875 relevant to the year 2012 had been doubled due to incorrect accounting.

- (e) The value of Works Creditors relevant to 11 works had been understated in a sum of Rs.942,943 in the financial statements for the year under review.
- (f) The value of Works Debtors relevant to 4 works had been understated in a sum of Rs.126,611 in the financial statements for the year under review.
- (g) Interest expenditure amounting to Rs.108,433 included in the loan installments in arrears as at 31 December of the year under review had not been accounted on accrual basis.
- (h) Opening Stock of Stationery and Water Works Materials valued at Rs. 287,154 at the beginning of the year under review had not been adjusted as expenditure in the financial statements.
- (i) The value of 280 Flag Posts received to the Sabha during past years amounting to Rs. 276,785 had not been accounted.
- (j) A sum of Rs. 2,050,181 had been credited to Other Revenue in Arrears Account without getting confirmed the correct balances in preparation of the financial statements for the year under review.
- (k) Stamp Fees Revenue relevant to preceding year amounting to Rs. 1,024,491 had been erroneously adjusted during the year under review. Due to that, current assets and the Accumulated Fund had been understated to the extent of that value..

### 1.3.2 Non-reconciled Control Accounts

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A total of differences amounting to Rs. 2,410,396 were observed between the balances relevant to 04 items of accounts totaling Rs. 16,331,449 shown in the financial statements and the balances shown in the subsidiary registers and records relevant to those.

### 1.3.3 Accounts Receivable and Payable

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According to the financial statements presented, total of Accounts Receivable as at 31 December of the year under review was Rs.14,068,253, while the total of Accounts Payable had been Rs. 11,571,283.

#### 1.3.4 Lack of Evidence for Audit

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Seven Items of Accounts valued at Rs. 108,602,998 could not be satisfactorily vouched in audit due to non-requirement of information.

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

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

Reference to laws, rules, regulations etc.,	Non-compliance
(a) Pradeshiya Sabha (Financial and Administrative) Rule 217 of 1988	A Register in Form P.S. 46 had not been maintained with regard to all Lands and Buildings belongs to the Sabha and used by the Sabha
(b) Financial Regulation of the Republic of Sri Lanka	
(a) F.R. 880, Letter No. 2/F/1 dated 24 March 2005 of the Chief Secretary, Uva Province and Pradeshiya Sabha (Financial and Administrative) Rule 180 of 1988.	Nine officers in service of the Sabha who are required to furnish security had not deposited security.
(ii) F.R. 371	Advances amounting to Rs. 275,611 granted in 16 instances to various parties during the year under review the had not been settled.
(c) Clauses 4 in Chapter xxiv of the Establishments Code	Action had not been taken to recover a loan balance amounting to Rs.26,920 remaining un-recovered, due from an employee who was in service of the Sabha and vacated service.

## 2. Financial Review

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### 2.1 Financial Results

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According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2015 amounted to Rs.3,679,636 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.4,706,937.

### 2.2 Revenue Administration

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#### 2.2.1 Performance in Revenue Collection

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Following matters are observed.

- (a) While Revenue in arrears due to the Pradeshiya Sabha Fund relevant to past years as at 31 December 2015 was Rs. 1,045,417, out of the revenue estimated for the year under review 61% (Rs. 3,056,271) had been in arrears.
- (b) A sum of Rs. 87,172 had been identified as Acreage Tax in arrears due from 81 individuals who had been registered for payment of Acreage Tax in the area of authority of the Sabha at the end of the year 2015.
- (c) Old Stalls Rent in Arrears amounting to Rs. 530,672 relevant to a period of about 10 years, due from 16 stalls belong to the Sabha had not been recovered.
- (d) Permits had not been issued to 02 Work-Shops and 09 Grinding Halls in operation in the area of authority and liable to obtain Environmental Protection Permits in terms of National Environmental act No. 47 of 1980 and Extra Ordinary Gazette Notification No. 1523/16 dated 25 January 2008.

#### 2.2.2 Courts Fines and Stamp Fees

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Courts Fines amounting to Rs.1,005,935 and Stamp Fees amounting to Rs. 1,750,800 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2015.

### 3. Operating Review

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#### 3.1 Management Inefficiencies

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In purchasing Office Equipment after obtaining quotations, in spite of the lowest quotation submitted for Rs. 226,950, purchase had been made by the Sabha for a sum of Rs. 270,180. Due to that, a sum of rs. 43,230 had been overpaid.

#### 3.2 Contract Administration

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(a) Although the agreement period of 03 Works for which agreements had been signed by the Sabha during the year 2015 had elapsed, action had not been taken to settle advances amounting to Rs. 410,000 granted, in spite of any steps had not been taken to commence works.

(b) Although a total sum of Rs. 6,591,357 as a loan of Rs. 5,000,000 at annual interest rate of 12% from the Local Loans and Development Fund and a sum of Rs. 1,591,337 out of Sabha Fund had been spent by the Sabha for construction of Koslanda Market Complex during the year 2010, it had not been possible to rent out 10 stalls due to lack of an access road to that Market Complex.

### 4. Good Governance and Accountability

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#### 4.1 Budgetary Control

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The Budget had not been made use of as an effective tool of management for revenue and expenditure control during the year under review.

#### 4.2 Annual Procurement Plan

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An Annual Procurement Plan had not been prepared during the current year.

#### 4.3 Internal Audit

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An internal audit had not been carried out for the year under review.

#### 4.4 Idle / Under-utilized Assets

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The Backhoe Loader Machine assigned to the Sabha on 02 July 2015, John Deer Tractor with Plough received during the year 2004 and the Cab Vehicle bearing No. 252-6369 had been kept idle in the Sabha Ground and the Stores without being engaged for earning any economic benefit.

#### 5. Systems and Controls

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

- (a) Accounting
- (b) Stores Control
- (c) Contracts Control
- (d) Debtors and Creditors Control
- (e) Assets Management.

