

Haputale Pradeshiya Sabha

Badulla District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 28 March 2016 while Financial Statements relating to the preceding year had been submitted on 30 March 2015. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 06 September 2016

1.2 Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Haputale 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

1.3.1 Accounting Deficiencies

Following deficiencies are observed.

- (a) The value of the cab vehicle amounting to Rs. 2,795,000 received to the Sabha during the year under review had not been included in the Fixed Assets.
- (b) Interest Payable for the loan obtained from the Local Loans and Development Fund had been overstated in a sum of Rs. 579,273 in the financial statements.
- (c) Court Fines Revenue had been understated in a sum of Rs. 389,487 while Stamp Fees Revenue had been overstated in a sum of Rs. 3,297,282 in the financial statements for the year under review.

1.3.2 Accounts Receivable and Payable

The value of Accounts Receivable balances as at 31 December of the year under review was Rs. 10,441,121 and the value of Accounts Payable balances had been Rs. 7,260,384.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over expenditure of the Sabah for the year ended 31 December 2015 had been Rs. 13,341,259 as compared with the corresponding excess of revenue over expenditure amounted to Rs. 50,538.

2.2. Revenue Administration

2.2.1 Rates

The last assessment of Rates in terms of Section 134(1) of the Pradeshiya Sabha Act No. 15 of 1987 had been made during the year 2002 and therefore the Rates Revenue had been in a low level due to non-assessment of value of properties once in 5 years.

2.2.2 License Fees

- (a) Trade Licenses had not been obtained during the year 2015 for 03 Business Entities belong to the Edison Bungalow and Lipton Sheet Observation Centre which had won local and foreign tourist attraction in the area of authority of the Sabha.
- (b) License Fees had not been recovered for 09 Transmission Towers erected in the area of authority of the Sabha in terms of Gazette Notification No. 1893 dated 12 December 2014 of the Republic of Sri Lanka.

2.2.3 Lease Rent

Monthly Lease Rent of 43 stalls belong to the Sabha had not been assessed through the Chief Valuer or an assessor associated with the Local Authorities in terms of provisions in the Circular No.1980/46 dated 31 December 1980 of the Commissioner of Local Government and rent was being recovered on the basis of the Sabha decisions taken on 28 September 2012 and 31 January 2013.

2.2.4 Courts Fines and Stamp Fees

A sum of Rs. 704,869 on account of Courts Fines and a sum of Rs. 5,855,400 on account of Stamp Fees were due to recovered as at 31 December 2015 from the Chief Secretary to the Provincial Council and other authorities.

3. Operating Review

3.1 Management Inefficiencies

- (a) The Sabha had overpaid a sum of Rs. 90,000 as Members Allowance to 09 Members of the Sabha relevant to May 2015, after the end of official term of the Sabha on 15 May 2015.
- (b) A sum of Rs. 85,356 had been remitted back during the year under review to the Ministry of Provincial Councils and Local Government, out of the amount received to the Sabha for construction works under the Pradeshiya Sabha Strengthening Program 2014.
- (c) Action had not been taken in terms of clauses 1:6 and 4 in Chapter xxix of the Government Establishments Code to recover Staff Loans in arrears totaling Rs. 54,562 relevant to the period from the year 2007 to 2011 due from 11 employees who were in service of the Sabha and left on transfers and vacated service.

3.2 Transactions of Contentious Nature

- (a) While buildings had been constructed in 03 plots of lands belong to the Haputale Divisional Secretary by the Pradeshiya Sabha and rented out those to outside parties, Divisional Secretary had taken steps to initiate legal action having considered those as unauthorized constructions.
- (b) The Sabha had constructed 19 stalls in the land belongs to Rohampton-Diyatalawa-Bandarawela National Highway own by the Road Development authority having spent a sum of Rs. 2,000,0000 and those had been given on rent to outside parties on the basis of paying monthly rent and recovering non-refundable pre-sale value of Rs. 6,945,751 for a period of 3 years. The Roads development authority had taken action to remove those having considered as un-authorized constructions.

4. Good Governance and Accountability

4.1 Budgetary Control

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

4.2 Annual Procurement Plan

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

4.3 Internal Audit

An internal audit had not been carried out with regard to the Pradeshiya Sabha for the year 2015.

4.4 Implementation of Audit and Management Committee

Audit and Management Committees had not been established during the current year.

4.5 Assets Management

Idle and Under-utilized Assets

The Micro Cab Vehicle belongs to the Sabha purchased for Rs. 6,180,000 during the year 2010 and two cab vehicles purchased during the years 1998 and 2000 value of which not furnished had been parked idle in the Sabha Ground.

5. Systems and Controls

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

- (a) Internal Control
- (b) Accounting
- (c) Revenue Administration
- (d) Assets Management and Stocks Control
- (e) Contracts Control