

Haliyala Pradeshia Sabha
Badulla district

1. Financial Statement

1.1. Presentation of Financial Statement

The Financial Statement for the year 2017 had been submitted for audit on 23 March 2018 and the report of the Auditor General had been sent to the Chairman on 26 September 2018.

1.2. Qualified opinion

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 Haliyala Pradeshia Sabha as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3. Comments on Financial Statement

1.3.1. Accounting deficiencies

The following were observed.

- a. Although income from Rates and Tax for the year under review amounted to Rs.4,766,135, it was accounted in the Financial Statements as Rs.4,205,437 as such the income was understated by Rs.560,698.
- b. An amount of Rs.824,372 which had been paid to Local Loan Development Fund in 12 installments had not been deducted from the loan account as such long-term liabilities had been overstated by that amount.
- c. Environmental License Fees received in the year under review for the next 2 years amounting to Rs.96,000 had been accounted as income of the year as such income was overstated by that amount.
- d. Although the Stamp Fees billed for the year under review amounted to Rs.8,000,000, it was accounted as Rs.9,955,520 as such income was overstated by an amount of Rs.1,955,520.
- e. Although the Court Fine billed for the year under review amounted to Rs.5,500,000, yet it was accounted as Rs.9,475,675 as such income was understated by an amount of Rs.3,975,675.
- f. Although the court fine income received in the preceding year amounted to Rs.3,975,675, it was accounted as Rs.3,214,642 as such the Accumulated Fund was understated by Rs.761,033.

- g. Hundred and eight items of consumer goods amounting to Rs.152,600 had been accounted under Fixed Assets as such Fixed Assets on Revenue Contribution to Capital Outlay had been understated by that amount.
- h. The following accounting Deficiencies had not been corrected.
 - a. Miscellaneous Creditors had been overstated by an amount of Rs.1,817,998.
 - b. Stamp Duty income had been understated by an amount of Rs.1,000,000.

1.3.2. Un-reconciled Accounts

A difference of Rs.6,021,488 was observed between the balance of Financial Statement and the balance of ledger account of 2 balance as at 31 December of the year under review.

1.3.3. Accounts Receivable and Payable

a. Accounts Receivable

At the end of the year under review, accounts payable balances amounting to Rs.85,490,323 including Arrears of Rates due 2 years amounting to Rs.2,673,460, Arrears of Electricity Bills amounting to Rs.468,559, Arrears of Acreage Tax amounting to Rs.10,704, Arrears of Weekly Fair Tax amounting to Rs.345,500, Arrears of Water Bills amounting to Rs.1,069,640, Arrears of Shop Rental amounting to Rs.512,690 and Work Debtors amounting to Rs.80,409,770.

b. Accounts Payable

At the end of the year under review, accounts receivable balances amounting to Rs.70,018,112 includes Creditors due for 2 years had not been settled.

1.3.4. Lack of Documentary Evidence for Audit

Due to lack of documentary evidence for audit a total of 5 transactions amounting to Rs.93,686,753 could not be satisfactorily vouched in audit.

1.3.5. Non-compliance

1.3.5.1. Non-compliance with Laws, Rules, Regulations and Management decisions.

Following instances of non-compliance with Laws, Rules, Regulations and management decisions are shown below.

Reference to Laws, Rules, Regulations and Management decisions	Value Rs.	Non-compliance
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a. Pradeshiya Sabha Act No.15 of 1987		
i. Section 49		Action had not been taken against illegal construction alongside main roads and other required roads and 71 such illegal construction.
ii. Section 127		<p>a. Public cemeteries belonging to the council had not been measured and boundaries had not been marked and protect them.</p> <p>b. Action had not been taken to remove Illegal residents living in Nilbowala cemetery.</p>
iii. Sections 158, 159	85,492,264	Arrears revenue had not been collected by the Secretary of the Council.
b. Section 23 (a) of National Environmental Act No.47 of 1980.		A license for a slaughterhouse had not been obtained.
c. i. Slaughterhouse (Amendment) Act No.60 of 1981, and Section 4 of Paragraph II of Slaughterhouse (Amendment) Act No.13 of 2008.		Permission for the slaughter of cattle had not been obtained using an application in the format of “d”.
ii. Section 21 of chapter III		In contrast to section 21, a Permit had been given by the Council for slaughter and transport of meat inside a building believed to be belonging to the Haliaala Jumma Mosque.

iii.	Section 22 of chapter III		The slaughterhouse was not under the daily supervision of a Slaughterhouse Overseer and a Public Health Inspector.
d.	1988 Financial and Administration Rules		
	Rule 217 and 218		A register had not been motioned in accordance with the format P.S. 46 relating to the Land and Building owned by the Council and an annual Survey of the land owned by the Council had not been carried out and reports had not been submit to the council.
E.	Section 1.6 and 4 of Chapter XXIV of Establishment Code of the Democratic Socialist Republic of Sri Lanka.	153,723	Action had not been taken to recover arrears of loans from 14 employees who were suspended their service or deceased.
F.	Financial Regulations of Democratic Socialist Republic of Sri Lanka.		
i.	Financial Regulation 142(1)		A Valuation had not been obtained from the Governments Chief Valuer for 22 Lands, Buildings and Businesses owned by the Council.
ii.	Financial regulation 371	769,617	Action had been taken to recover advance paid for 9 works of the Council due for 4 to 7 years.
iii.	Financial regulation 571	155,868	Action had not been taken to settle 05 deposits existing for over 2 years.

2. Financial review

2.1. Financial Results

According to the Financial Statements presented, surplus of revenue over recurrent expenditure of the Council for the year ended 31 December 2017 amounted to Rs.13,943,245 and the corresponding surplus of revenue over recurrent expenditure for the preceding year amounted to Rs.5,891,090.

2.2 Revenue administration

2.2.1 Estimated Income, Billed Income, Collected Income and Arrears of Income

The details of the Estimated Income, Billed Income, Collected Income and Arrears of Income for the year under review and the preceding year is stated below.

Source of income	<u>2017</u>				<u>2016</u>			
	Estimated Income	Billed Income	Collected Income	Arrears as at 31 December	Estimated Income	Billed Income	Collected Income	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and tax	3,969,820	4,184,719	2,434,810	1,749,908	3,929,820	4,000,416	2,587,232	1,413,183
(ii) Rent	1,466,302	1,436,909	1,123,068	313,841	1,528,372	1,185,234	1,120,465	64,768
(iii) License fees	2,324,400	2,468,545	2,468,545	-	2,172,400	1,934,775	1,934,775	-
(iv) Other income	4,119,250	2,144,479	2,144,479	-	2,456,500	842,868	842,868	-
Total	11,879,772	10,234,652	8,170,902	2,063,749	10,087,092	7,963,293	6,485,340	1,477,951

2.2.2. Performance in Revenue Collection

The total Billed revenue for the year ended 31 December 2017 amounted to Rs.10.2 million while collected revenue amounted to Rs.8.2 million. Revenue to be collected amounted to Rs.2.1 million and, in comparison to the preceding year the arrears revenue was increased by 40 per cent.

2.2.3. Court Fines and Stamp Fees

Action had not been taken to recover Court Fines and Stamp fees from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2017 amounting to Rs.16,432,813 and Rs.6,771,204 respectively.

3. Operational review

3.1. Performance

It was revealed after the analyzing the execution of activities by the Pradeshiya Sabha in accordance with Paragraph 3 Pradeshiya Sabha Act such as regulation of health of the public, common utility services and public road facilities and maintenance of people's prosperity, welfare and development is given below.

a. By laws

Although by laws should be enacted to fulfill 30 factors in according to Section 126 of Pradeshiya Sabha Act1987, but only 20 such by laws had been enacted as at 31 December 2017.

b. Action Plan

An action Plan had not been prepared by the Council for the year under review.

c. Solid Waste Management

The following were observed

- i. Although solid waste should be categorized as decomposable and non-decomposable according to the letter No.PL/15/10/33 of dated 18 January 2016 of Secretary of the Ministry of Public Administration, it was not so done up to 31 December 2017.
- ii. It was observed that there was a possibility of mixing compostable materials and residue left over after filtering compost, and garbage collected in a land not used for the compost facility to the Badulu Oya through canals and there is a risk of arising of several environmental problems.
- iii. Although 9 workers had been deployed not provide, proper necessary equipment and action had not been taken to give monthly medical checkups.

d. Sustainable Development Goals

Due to the Council not being aware of 2030 Agenda of Goals of Sustainable Development, the global view of such purposes to enhance the living standards and health of the people living in the Council area of authority had not been initiated to 31 December 2017.

3.2. Management Inefficiencies

The following were observed

- a. A gully bowser valued at Rs.3,480,000 received by the Council on 24 December 2013 had not been registered up to 31 December 2017 and not used as such the Council had failed to provide service of the gully bowser.
- b. Nilbowala cemeterial land in which the Council had used as a waste disposal site had been against by the people and action had not been taken by the Council to settled the matter.
- c. Land No.882 belonging to the Mugunumatha western Grama Niladhari division to extend to 2 rude and 6.9 perches had been leased out for a long term on 09 September 2102. Although

an amount of Rs.48,000 had to be collected annually, yet action had not been taken to collect an amount of Rs.144,000 relating to the years 2016, 2017 and 2018.

3.3. Human Resource Management

There were 05 vacancies and 59 excess cadre in the Council as at 31 December of the year under review and action had not been taken to balance the cadre requirement.

3.4. Operational Inefficiencies

The following were observed

- a. Although an amount of Rs.50 should be recovered for each square feet for the display of advertising boards according to the enacted by laws for the year under review, and action had not been taken to recover an amount of Rs.154,400 from 15 advertisement boards issued within the Council area of authority.
- b. Action had not been taken to enact by laws to recover parking fees from three wheels and vans.

3.5. Asset management

3.5.1. Idle/ under-utilized Assets

The following were observed

- a. The motor grader, gully bowser and a concrete mixer machine purchased by the Council had been left idle and parked even up to 31 December 2017.
- b. A tractor belonging to the Council was parked without making repairs.

3.5.2. Assets were not documented

Although documents should be maintained about all land and cemeteries land belonging to the Council and should be properly identified and measured as according to Sections 17(3) and 127 Pradeshiya Sabha Act No.15 of 1987, yet action had not been taken as stated for 167 pieces of land.

3.6. Procurement

3.6.1. Procurement plan

A procurement plan had not been prepared for the year under review by the Council.

3.6.2. Contract administration

Construction of two Water tanks for the Water Projects in Atampitiya

The following were observed

- a. Agreement for the construction of the tanks had not been obtained from the owner of the land and estimations had been prepared for two tanks, construction of only one tank had been completed.
- b. An amount of Rs.358,400 had been paid for the supply and fixing PVC pipes on the basis of Rs.1,792 per meter for 200 meters and but it was seen that only 108 meters were laid down at physical observations and as such an amount of Rs.175,616 had been over paid for 92 meters.
- c. Although payments amounting to Rs.107,300 had been made for supply and laying of 100 meters of PVC pipe costing Rs.1,073 per meter, and it was seen that only 28 meters were laid at physical observations and as such an amount of Rs.77,256 had been over paid for 72 meters.
- d. According to engineers' recommendations although pipes should be laid even two feet under the ground level, but pipes had been laid on the carapace of the ground.

4. Accountability and good governance

4.1. Budget Control

It was observed that there was a considerable variation in the budgeted revenue and expenditure for the year under review with the actual revenue and expenditure and it was observed that the budget had not been used as an effective tool of management control.

4.2. Internal audit

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

4.3. Audit and Management Committees

Audit and Management Committees for the year under review were not operated.

05. System and Control

The deficiencies observed during the course of audit had been informed to the Council time to time and special attention should be needed in the following areas of control.

System	Weakness
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a. Revenue Administration	<ul style="list-style-type: none"> i. Performance in recovery of arrears revenue was low. ii. Legal Action had not been taken to recover arrears of revenue due for a long period of time. iii. An annual survey had not been conducted relating to the advertisement boards within the area.
b. Contract Administration	<ul style="list-style-type: none"> i. Field supervision of construction work was not seen. ii. Records were not maintained relating to works supervision and administration. (Road registers, Building registers)
c. Asset Management	<ul style="list-style-type: none"> i. Action not taken to value land and buildings belonging to the Council. ii. A fixed asset registers not maintained categorizing of assets according to the asset. iii. Land and cemeteries belonging to the Council was not properly measured and make boundaries.