

Haputale Pradeshiya Sabha
Badulla District

1. Financial Statements

1.1 Presentations of Financial Statements

The financial statements for the year 2018 had been presented for audit on the 12th of March 2019 and the summary report of the auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on the 30th of May 2019 and on the 31st of May 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the basis of qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Haputale Pradeshiya Sabha as at 31st December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

(a) Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) 34 cemeteries belonging to the Pradeshiya Sabha were not assessed and their values had not been accounted	Should be correctly brought to account	By obtaining the service of a professional valuator, the council assets will be evaluated and accounted as soon as possible.
(ii) According to the employee credit register, an employee credit balance of Rs. 194,000 had not been entered to the financial statement.	Should be correctly brought to account	Steps will be taken to rectify the shortcomings in the employee credit register

(b) Unreconciled Accounts

Audit Observations	Recommendations	Comments of the Accounting Officer
According to the financial statement as at 31 December 2018, the balance of the industry credit is Rs. 5,733,751 and the stamp duty balance is Rs. 3,793,796. However, according to the industrial credit register and the stamp duty register, the balances are Rs. 8,124,915 and Rs. 12,054,437 respectively	Documents and sub-documents need to be updated and corrected for reasons of non-comparability	The reason for having a difference between the balances according to the industrial credit register and the sub-documents is due to the credit register not being updated. Likewise, the difference in the balance and the documents depending on the financial issues of the stamp fee is due to the fact that the stamp fee schedule was not received at the time of preparing the financial statement

(c) Lack of Necessary Documentary Evidence for Audit

Audit Observation	Recommendations	Comments of the Accounting Officer
5 items of accounts aggregating the cost, Rs. 127,779,428 could not be satisfactorily vouched in audit due to non- rendition of the valuation report, the fixed assets list, sub-documents and the survey reports.	Evidence to confirm the balances shown in the financial statements should be furnished	Action will be taken to update and maintain the register of assets and letters of confirmation of balances concerned are furnished here with

1.4 Non Compliance

Non-compliance with Laws, Rules, Regulations and Management Decisions

Reference of Laws, Rules, Regulations and Management Decisions	Non-Compliance	Recommendation	Comments of the Accounting Officer
(a) Pradeshiya Sabha Act No. 15 of 1987			
Section 126(vii) (e)	There was no survey of the fixed billboards on	Should act in accordance with the	A survey on fixed advertising boards

	display in the council area	provisions of the act	displayed in the council area will be conducted in the current year
(b)Public administration circular No. 2016/30 of 29 December 2016	The fuel consumption of three vehicles belonging to the Pradeshiya Sabha had not been checked	Fuel burning should be stated as per circular instructions	Fuel combustion tests are being conducted

2. Financial Review

2.1 Financial Results

According to the financial statement presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2018 amounted to Rs. 3,770,817 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs. 6,583,012.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2018				2017			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rent and Taxes	1,781,511	1,781,511	2,082,316	912,796	619,900	619,900	1,020,219	199,754
Rent	6,544,540	6,544,540	5,298,007	587,093	4,571,521	4,571,521	6,454,842	716,157
License Fee	640,300	640,300	904,763	--	540,300	540,300	794,675	
Other Revenue	43,506,009	43,506,009	38,257,143	7,565,634	40,133,757	40,133,757	37,188,443	5,735,123
Total	52,472,360	52,472,360	46,542,229	9,065,523	45,865,478	45,865,478	45,458,179	6,651,034

2.2.2 Rates and Taxes

Audit Observation

Recommendation

Comments of the Accounting Officer

- | | | | |
|-----|---|--|---|
| (a) | Assessed tax revenue of Rs. 796,949 which is 51 percent of the total assessed tax value of Rs. 1,536,510 was not collected as at 31 December of the year under review | Recovery of arrears of revenue should be intensified | Action will be taken promptly in order to recover the arrears. |
| (b) | The arrears at the commencement of the year under review amounted to Rs. 907,515 and an amount of Rs. 813,027 had not been collected. The total recoveries was 89 percent of the arrears at the commencement and the billings | Recovery of arrears of revenue should be intensified | A timely analysis of taxable income is being taken and legal action is taken to recover the revenue |

2.2.3 Court Fine and Stamp Fees

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Court fines		
<p>-----</p> <p>Court fines of Rs. 2,396,580 was due as at 31 December of the year under review</p>	<p>-----</p> <p>Recovery of court fine arrears of revenue should be intensified</p>	<p>-----</p> <p>The money receivable has been forwarded to the provincial council for immediate payment</p>
(b) Stamp Fees		
<p>-----</p> <p>Stamp fee of Rs. 12,054,437 was due as at 31 December of the year uner review.</p>	<p>-----</p> <p>Recovery of stamp fee arrears should be intensified.</p>	<p>-----</p> <p>The money receivable has been forwarded to the provincial council for immediate payment</p>

3. Operating Review

3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.

(a) Action Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>7 Activities which were intended to be carried out according to the action plan were not implemented.</p>	<p>-----</p> <p>Tasks should be fulfilled according to the action plan</p>	<p>-----</p> <p>The activities which had been mentioned in the action plan of 2018 that had not been carried out were identified and entered into the action plan of the current year.</p>

(b) Sustainable Development Targets

Audit Observation	Recommendation	Comments of the Accounting Officer
Although the council was aware of the “UN Sustainable Development Agenda 2030”, the action Indicators for measuring goals and targets which were identified as applicable to the council were not identified.	The indicators for measuring the sustainable development objectives and targets should be identified and the progress in achieving the annual goals should be measured	The indicators for measuring the objectives and targets of the sustainable development will be identified for the continuation of work in the future

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
Industrial balance of Rs. 830,593 which has been existing since 2015 had not been settled as at the year under review	Action should be taken to settle the outstanding balance	Steps will be taken to check and settle the balance sheet of the industrial credit list and to keep the industrial credit registry and the debtor registry updated

3.3 Human Resource Management

Audit Observation	Recommendation	Comments of the Accounting Officer
As at 31 December of the year under review, there were 06 vacancies related to 04 positions in the council	Vacancies of staff should be filled	The relevant companies have been informed regarding the vacancies and the office work is being carried out by the current office staff

3.4 Procurement

Procurement plan

Audit Observation	Recommendation	Comments of the Accounting Officer
A procurement plan had not been prepared by the council for the year under review	A procurement plan should be prepared	A procurement plan for 2019 is being prepared

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
----- No internal audit was carried out for the year under review	----- An internal audit should be carried out	----- Action will be taken to conduct an internal audit for 2019

4.2 Implementation of Audit and Management Committee

Audit Observation	Recommendation	Comments of the Accounting Officer
----- According to the management audit circular No. DMA 2009 of 9 th June 2009, no meetings had been held in the year under review	----- An audit and a management committee should be established in the council	----- In 2019 an Audit and Management Committee will be appointed and the work will be carried out effectively