

Haputhale Pradeshiya Sabha
Badulla District

1. Financial Statements

1.1 Presentation of the Financial Statements

The Financial Statements of the year 2019 had been presented to the audit on 27 of February 2020, the summary report of the Auditor General on those financial statements and the detailed management report had been forwarded to the chairman on 17 July 2020 and 24 July 2020 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the Basis for Qualified Opinion section of this report, the financial statements give a true and fair view of the financial position of the Haputhale Pradeshiya Sabha as at 31 December 2019, 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
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(i) Although the balance of the Loan from the Local loans and development fund as at 31 December of the year under review had been Rs. 7,573,439 according to the loan confirmation letter, It had been stated as Rs. 7,725,316 in the financial statements.	It should be accounted correctly.	Action will be taken to correct.
(ii) Although the balance of a bank account of the Sabha as at 31 December of the year under review had been Rs. 461,192 according to the relevant cash book, It had been stated as Rs. 329,266 in the financial statements.	It should be accounted correctly.	It will be corrected by Journal entries.
(iii) Although the balance of a bank account of the Sabha as at 31 December of the year under review had been Rs. 274,456 according to the relevant cash book, It had been stated as Rs. 374,456 in the financial statements.	It should be accounted correctly.	It will be corrected by Journal entries.

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| (iv) | Although the Arrears of court fines as at 31 December of the year under review had been Rs. 1,775,480, It had been stated as Rs. 2,394,590 in the financial statements. | It should be accounted correctly. | It will be corrected by Journal entries. |
| (v) | As at 31 December of the year under review, Capital grants amounting to Rs. 1,630,000 that had been received to the Sabha under Regional Development Project had not been stated in the financial statements. | It should be accounted correctly. | It will be corrected by Journal entries. |

b) Un-reconciled Accounts

Audit observation	Recommendation	Comments of the Accounting Officer
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Although the Construction creditors as at 31 December of the year under review had been Rs. 10,826,280 in the financial statements, It had been Rs. 9,977,903 according to the schedules, and the difference has been Rs. 848,377.	It should be correctly accounted by comparing with schedules.	It will be corrected by Journal entries.

1.4 Non compliance

Non compliance with laws, rules, regulations and management decisions.

Reference to laws, rules regulations and management decisions	Non compliance	Recommendation	Comments of the Accounting Officer
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Circular No. 1980/46 dated 31 December 1980 of the commissioner of Local Government	Although the properties of the Sabha should be assessed once in 5 years and reached agreements, 62 shops of the Sabha had not been assessed and had been leased for external parties on decision of the Sabha.	Action should be taken in accordance with the guidelines of the circular.	Assessments are being done for the year 2020.

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 2019 has been Rs. 6,651,624 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs. 3,770,817.

2.2 Revenue Administration

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

Presented information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue for the year under review and the preceding year are as follows.

Source of Revenue	2019				2018				
	Estimated Revenue	Revenue Billed	Revenue collected	Arrears as at 31December	Estimated Revenue	Revenue Billed	Revenue collected	Arrears as at 31December	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
i. Rates and Taxes	922,073	2,244,511	1,497,442	1,669,142	213,586	1,556,511	856,906	913,192	
ii. Rent	670,543	2,747,290	4,016,291	-	716,157	3,678,040	2,641,740	1,752,457	
iii. License fees	-	600,000	1,336,295	-	-	500,000	697,078	-	
iv. Other Income	15,169,605	11,694,250	14,971,839	11,892,016	8,505,007	9,338,500	13,645,524	4,197,984	
Total	16,762,221	17,286,051	21,821,867	13,561,158	9,434,750	15,073,051	17,841,248	6,863,633	

2.2.2 Performance in Revenue Collection

Audit observation

Arrears of capital grants amounting to Rs. 9,921,066, other income amounting to Rs. 389,983, rates amounting to Rs. 1,123,853, acre tax amounting to Rs. 2,195, Penalties and warrent fees amounting to Rs. 9,209, shop rents amounting to Rs. 139,300, beef stall rent amounting to Rs. 102,702, fair charges amounting to Rs. 55,620, shop rent fines amounting to Rs. 12,780 and vehicle taxes amounting to Rs. 955,299 that had elapsed more than 3 years had not been recovered.

Recommendation

Arrears of revenue should be recovered.

Comments of the Accounting Officer

Recoverable arrears are being recovered, and Action will be taken to write-off long term arrears.

2.2.3 Court Fines and Stamp Fees

Audit observation

Arrears of Court fines amounting to Rs. 239,590 and arrears of Stamp fees amounting to Rs. 8,685,194 due as at 31 December of the year under review had not been recovered.

Recommendation

Arrears of Court fines and arrears of Stamp fees should be recovered.

Comments of the Accounting Officer

All the relevant schedules have been received and sent to the Department of Local Government to recover.

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 and welfare.

(a) By-laws

Audit observation

Although by-laws should be imposed for 30 purposes under section 126 of the Pradeshiya Sabha Act, by-laws had not been imposed for 11 purposes until 31 December of the year under review.

Recommendation

By-laws should be imposed for the purposes that by-laws have not been imposed yet.

Comments of the Accounting Officer

It has been sent to the Department of Local Government to impose by-laws for relevant purposes.

(b) Sustainable Development Goals

Audit observation

Although there was awareness with regard to “Sustainable Development Agenda-2030” of the United Nations, Indexes for measuring sustainable objectives and goals which could be applied to the Sabha had not been identified.

Recommendation

Indexes for measuring sustainable objectives and goals should be identified, and progress in reaching those should be measured accordingly.

Comments of the Accounting Officer

Indexes for measuring sustainable goals have been stated in four years plan.

3.2 Management Inefficiencies

Audit observation	Recommendation	Comments of the Accounting Officer
Payable balances amounting to Rs. 11,691,956 that had elapsed more than 3 years had not been settled.	Payable balances should be settled.	Replied that only unsettled bills of the purchases related to the year under review has been included in the Expenditure creditors.

3.3 Human Resource Management

Audit observation	Recommendation	Comments of the Accounting Officer
(a) As at 31 December of the year under review, there were 1 excess employee and 11 vacancies in 6 positions.	Relevant action should be taken regarding excess cadre and vacancies.	The Department of Local Government has been informed regarding this.
(b) Outstanding staff loans amounting to Rs. 62,956 due from 11 offices/employees had not been recovered.	Outstanding Loans should be recovered.	Relevant officers have been informed and It is being recovered.

4 Accountability and Good Governance

4.1 Internal Audit

Audit observation	Recommendation	Comments of the Accounting Officer
An internal audit had not been conducted in the year under review.	An internal audit should be conducted.	Action will be taken to plan and conduct internal audit programs in the year 2020.

4.2 Audit and Management Committee

Audit observation	Recommendation	Comments of the Accounting Officer
Only 02 Audit and Management Committee meetings had been held in the year under review.	Audit and Management Committee meetings should be held at least once in a quarter.	It has been held only 2 committee meetings for the institutional level, and It has participated for 2 meetings held in the Department of local government level and discussed the institutional issues.