

Haputhale Pradeshiya Sabha
Badulla District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 31 March 2014 and the financial statements for the preceding year had been presented on 25 March 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 16 September 2014.

1.2 Opinion

In my opinion, except for the effects on the financial statements of the matters referred to in paragraph 1.3 of my report, the financial statements have been prepared in accordance with Sri Lanka Public Sector Accounting Standards and give a true and fair view of the state of affairs of the Haputhale Pradeshiya Sabha as at 31 December 2013 and the financial results of its operations and cash flows for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Decrease in Net Assets

According to the financial statements presented, the value of net assets as at end of the year under review was Rs.40,741,677 and the value of net assets as at end of the preceding year was Rs.43,942,741 and the net decrease was Rs.3,201,064.

1.3.2 Accounting Deficiencies

(a.) Court fines amounting to Rs.3,113,744 receivable as at 31 December of the preceding year had not been accounted as revenue debtors. But, the above fines received during the year under review had been accounted as revenue of the year under review instead of crediting the accumulated fund. Therefore, the revenue for the year under review had been overstated in the financial statements by a similar amount.

(b.) The value of the cab No.53-5067 owned by the Sabha had not been ascertained and brought to account.

1.3.3 Unreconciled Control Accounts

A difference of Rs.124,364 was observed in reconciling the balance of the refundable deposits account shown in the financial statements presented for audit with the deposits register.

1.3.4 Accounts Receivable and Payable

According to the financial statements presented, the value of the balances of accounts receivable as at 31 December of the year under review amounted to Rs.12,124,398 and the value of the balances of accounts payable amounted to Rs.29,870,702.

1.3.4 Lack of Evidence for Audit

Land and buildings valued at Rs.43,312,500 could not be satisfactorily verified in audit due to non-submission of vesting orders, title deeds and Board of Survey Reports.

1.3.5 Non-compliance with Laws, Rules and Regulations

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

<u>Reference to Laws, Rules, Regulations etc.</u>	<u>Non-compliance</u>
(a.) Employees' Trust Fund Act No.46 of 1980	- Contributions of 3% amounting to Rs.32,973 which should be remitted to the Employees' Trust Fund relating to the year 2013 in respect of 11 casual and substitute employees had not been remitted to the said fund.
(b.) Employees Provident Fund Act No.15 of 1958 as amended by Act No.01 of 1985 (Amendment)	- Contribution of 8% recoverable from the salary of 11 casual and substitute employees had not been recovered and the 20% contribution of Rs.219,823 including the 12% contribution of the Sabha relating to the year 2013 payable to the Employees Provident Fund had not been remitted the said Fund.
(c.) Rule 217 and 218 of the Pradeshiya Sabha (Financial and Administrative) Rules- 1988	- The Chairman had not taken action to verify all the land and buildings owned/used by the Sabha once in every year.
(d.) Section 1:6 and 4 of Chapter xxiv of the Establishments Code of the Republic of Sri Lanka	- Action had not been taken to recover employees loans amounting to Rs.54,562 due from 1 employees served in the Sabha and transferred/ vacated their posts.

2. Financial and Operating 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 2013 amounted to Rs.6,636,694 as compared with the excess of revenue over recurrent expenditure amounting to Rs.13,516,493 for the preceding year showing a net decrease of Rs.6,880,249 in the financial results.

2.2 Analytical Financial Review

A net decrease of Rs.6,880,249 was observed in the financial results for the year under review as compared with the preceding year and an analysis of it is shown below.

<u>Recurrent Revenue</u>	<u>2013</u> Rs.	<u>2012</u> Rs.	<u>Variance</u> Rs.
Rates and Taxes	534,622	586,586	(51,964)
Lease Rent	8,048,150	17,979,632	(9,931,482)
Licence Fees	492,570	401,682	90,888
Service Charges	2,541,391	4,210,778	(1,669,387)
Warrant Charges and Fines	8,613,655	3,231,483	5,382,172
Other Revenue	322,873	493,033	(160,160)
Revenue Aid	13,093,261	11,059,333	2,033,928

Recurrent Expenditure

Salaries and Allowances	17,284,304	14,577,342	(2,706,962)
Travelling Expenses	549,095	659,718	110,623
Supplies and Equipment	1,976,896	2,108,375	131,479
Repairs and Maintenance of Capital Assets	1,083,012	1,668,794	585,782
Transport and Utility Services	2,152,928	2,231,112	78,184
Payment of Interest, Dividends and Bonus	766,478	609,787	(156,691)
Aid, Contributions and Subsidies	3,079,637	2,406,820	(672,817)
Pensions, Pensionery Benefits and Gratuities	127,478	183,636	56,158
		Net Decrease	----- (6,880,249) =====

2.3 Revenue Administration**2.3.1 Performance of Collection of Revenue**

The revenue billed for the year under review amounted to Rs.20,563,261 and the revenue in arrears as at end of the year amounted to Rs.5,723,661. It was 27 percent of the revenue billed.

2.3.2 Rates and Taxes

The properties within the area of the Sabha for which rates can be recovered had not been assessed after 2004.

2.3.3 Lease Rent

Monthly lease rent for 39 stalls owned by the Sabha had not been get assessed through the Chief Valuer or an Assessor for Local Authorities in terms of the provisions of Circular No.1980/46 dated 31 December 1980 issued by the Commissioner of Local Government.

2.3.4 Licence Fees

Out of the trade licence fees in arrears amounting to Rs.52,525 due as at end of the preceding year, only a sum of Rs.1,450 had been recovered up to the end of the year. The percentage of recovery is 2.7 percent.

2.3.5 Court Fines and Stamp Fees

Money recoverable as at 31 December 2013 from the Chief Secretary of the Provincial Council and other authorities are shown below.

	Rs.
Court Fines	3,658,109
Stamp Fees	1,463,790

3. Operating Review**3.1 Operating Inefficiencies**

Although 08 communication towers had been installed within the area of the Sabha, action had not been taken to enforce by-laws in respect of maintenance of communication towers and to recover charges.

3.2 Idle Assets

Two Mitsubishi Cabs and a Hand Tractor owned by the Sabha had been lying idle in the Sabha premises without action being taken to repair and use or to properly dispose of.

4. Accountability and Good Governance

Budgetary Control

Significant variances were observed between the budget prepared by the Sabha for the year under review and the actual data and therefore, it was observed that the budget had not been made use of as an effective tool of control.

<u>Recurrent Revenue</u>	<u>Budgeted</u> Rs.	<u>Actual</u> Rs.	<u>Variance</u> Rs.	<u>Percentage of</u> <u>Variance %</u>
Rates and Taxes	633,500	534,622	98,878	15.6
Rent	3,941,700	8,048,150	4,106,450	104.1
Licence Fees	472,300	492,570	20,270	4.2
Service Charges	3,396,000	2,541,391	854,609	25.1
Warrant Charges and Fines	6,038,000	8,613,655	2,575,655	42.6
Other Revenue	400,600	332,873	67,727	16.9
Revenue Aid	13,237,550	13,093,261	144,289	1.0
Capital Aid	3,500,000	10,103,563	6,603,563	188.6
 <u>Recurrent Expenditure</u>				
Salaries and Wages	15,951,570	17,284,304	1,332,734	8.3
Travelling Expenses	705,000	549,094	155,906	22.1
Supplies and Equipment	1,911,500	1,976,895	65,395	3.4
Repairs and Maintenance of Capital Assets	1,428,000	1,083,012	344,988	24.1
Transport and Utility Services	1,822,500	2,152,928	330,428	18.1
Payment of Interest, Dividends and Bonus	970,000	766,478	203,522	20.3
Aid, Contributions and Subsidies	80,000	3,079,637	2,999,637	3749.5
Pensions, Pensionery Benefits and Gratuities	275,000	127,478	147,522	53.6
Capital Expenditure	6,950,000	24,034,579	17,084,579	245.8

5. Systems and Controls

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

- (a.) Budgetary Control
- (b.) Revenue Administration