

Hali-ela Pradeshiya Sabha

Badulla District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 28 April 2015 while Financial Statements relating to the preceding year had been submitted on 30 October 2014. The Auditor General's Report relating to the year under review was issued to the Secretary of the Hali-Ela Sabha on 13 August 2015.

1.2 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 Hali-Ela Pradeshiya Sabha as at 31 December 2014 and its financial performance for the year then ended in accordance with generally accepted accounting principles.

1.3 Comments on Transactions, Operations and Performance

1.3.1 Accounting Deficiencies

- (a.) Although the value of the Double Cab Vehicle provided to the Sabha during the year 2014 under the Programme for Improvement of Transport Facilities of Local Authorities was Rs. 6,390,000, it had been accounted as Rs. 6,300,000. Due to that, the balance of the Non-current Assets and the balance of the Contribution from Revenue to Capital Outlay Account had been understated at the rate of Rs. 90,000 in the financial statements. Similarly, Capital Grants and Capital expenditure for the year under review had been understated at the rate of Rs. 90,000.
- (b.) A sum of Rs. 450,765 being the value of 456 Galvanized Flag Posts provided for public utilities under the provisions of the Divi Neguma Development Department had not been capitalized. Due to that, value of Fixed Assets as at 31 December of the year under review and the balance of the Contribution from Revenue to Capital Outlay Account had been understated at the rate of Rs. 450,765 in the financial statements.

- (c.) A sum of Rs. 265,000 being the value of 10 Multipurpose Mobile Booths provided under the provisions of the Ministry of Local Government and Provincial Councils had not been accounted. Due to that, value of Fixed Assets as at 31 December of the year under review and the balance of the Contribution from Revenue to Capital Outlay Account had been understated at the rate of Rs. 265,000 in the financial statements.
- (d.) The Cash-Book balance of Rs. 3,348,570 as at as at 31 December of the year under review had been shown as Rs.11,505,196 in the Statement of Financial Position. Due to that, Assets had been overstated in sum of Rs. 8,156,626 in the financial statements.
- (e.) The Local Government Pension Contribution balance amounting to Rs. 4,486,072 payable as at 31 December of the year under review had not been accounted under Creditors. Due to that, Creditors had been understated to that extent in the financial statements.
- (f.) Interest Payable for the loan obtained from the Local Loans and Development Fund under Asian Development Bank Loan Assistance for Multi-Purpose Building Construction Project and the Sub-project for the purchase of House Hold Goods had been credited to the Local Loans and Development Fund without recording as expenditure outstanding to be incurred. Due to that, the balance of the Local Loans and Development Fund had been overstated in a sum of Rs.4,119,926.
- (g.) Although the Courts Fine Revenue in arrears as at 31 December of the year under review was Rs.7,299,522, it had been shown as Rs. 6,203,951 in the financial statements. Due to that, Current Assets had been understated in a sum of Rs. 1,095,571 in the financial statements.

- (h.) Stamp Fees received during the year under review more than amount provided under Debtors amounting to Rs. 917,596 had not been adjusted to the Accumulated Fund.
- (i.) Although the Stamp Fees Revenue Receivable as at 31 December of the year under review was Rs.2,269,346, it had been shown as Rs. 2,088,330 in the financial statements. Due to that, Debtors had been understated in a sum of Rs. 181,016 in the financial statements.
- (j.) Although the Interest Expenses Account and the Loan Account should be debited having credited the Creditors Account for correcting the error in recording the payment of loan installments and interest as a payment to Creditors in respect of the loan obtained from the Local Loans and Development fund for purchase of goods, Accumulated Fund had been debited having credited the Creditor Account. Due to that, balance of the Accumulated Fund as at 31 December of the year under review had been understated in a sum of Rs.19,502.
- (k.) The surplus of Rs. 5,413,595 for the year under review had not been adjusted to the Accumulated Fund through a journal entry.
- (l.) Overstated Water Charges in Arrears during the year 2013 had been debited to the Water Charges Account without adjusting it to the Accumulated Fund. Due to that, Water Charges Revenue for the current year had been understated in a sum of Rs.12,053.

1.3.2 Non-reconciled Control Accounts

While the balance relevant to three items of accounts according to subsidiary registers was Rs. 5,175,458, the balance according to the Statement of Financial Position it had been Rs. 8,066,732.

1.3.3 Accounts Receivable and Payable

According to the financial statements presented total of Accounts Receivable as at 31 December of the year under review was Rs.73,754,893 while the total of Accounts Payable had been Rs. 80,867,541.

1.3.4 Lack of Evidence for Audit

Four Items of Accounts valued at Rs. 18,050,944 could not be satisfactorily vouched in audit due to non-rendition of Schedules.

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.) Financial Regulations of the Republic of Sri Lanka	
(i.) F.R.371	- Advances granted amounting to Rs.603,605 in 11 instances had not been settled even as at 31 September 2014.
(ii.) F.R. 396 (d)	- Action in terms of Financial Regulations had not been taken with regard to 5 cheques valued at Rs.31,318, issued, which had elapsed 06 months from the date of issue, but not presented for payment.
(b.) Establishments Code of the Republic of Sri Lanka Clauses 1.6 and 4	- Staff Loans totalling Rs. 159,713 due from 16 Employees/officers who were in service of the Sabha and left on transfers, interdicted and deceased had not been recovered.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2014 amounted to Rs.1,061,622 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 5,421,364. Accordingly, an unfavorable variance of Rs.4,359,742 was observed in the financial results.

2.2.1 Court Fines and Stamp Fees

Court Fines and Stamp Fees Receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2014 were as follows.

	Rs.
Court Fines	7,299,522
Stamp Fees	2,269,346

2.2.2 Water Charges

- (a.) While the Water Charges Receivable from 72 consumers of the Bogahamadiththa Water Scheme levying a monthly Fixed Water Charge of Rs. 200 as at 31 December 2014 was Rs.266,400, a large number of consumers included in that had defaulted payment of charges over a long period.
- (b.) The balance due from 76 consumers of the Nilbovila Water Scheme belongs to the Sabha as at 31 December 2014 amounted to Rs. 171,440. While there were 12 consumers whose arrears had exceeded Rs. 4,500, Sabha had not introduced a proper procedure for recovery of those balances in arrears.

3. Operating Review

3.1 Management Inefficiencies

Although shortages of 26 items valued at Rs. 206,090 belong to the Head Office of the Sabha had been identified in the annual board of survey works carried out relevant to the years 2013 and 2014, any course of action had not been with regard to that.

4. Systems and Controls

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

- (a.) Accounting
(b.) Assets Management