

## **Haputhale Pradeshiya Sabha**

### **Badulla District**

#### **1. Financial Statements**

##### **1.1 Presentation of Financial Statements**

Financial Statements for the year under review had been submitted to Audit on 30 March 2015 while Financial Statements relating to the preceding year had been submitted on 31 March 2014. The Auditor General's Report relating to the year under review was sent to the Chairman of the Sabha on 04 June 2015.

##### **1.2 Opinion**

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Haputale Pradeshiya Sabha as at 31 December 2014 and its financial performance for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

##### **1.3 Comments on Financial Statements**

###### **1.3.1 Accounting Deficiencies**

- (a.) Court Fines Revenue amounting to Rs. 236,486 relevant to month of January had been accounted as revenue in arrears relating to the preceding year. Due to that, deficit of the year under review had been overstated in a sum of Rs. 236,486 in the financial statements.
  
- (b.) Stamp Fees Revenue received amounting to Rs. 67,545 relevant to November and December months of the year 2010 from the Department of Public Finance and Rs. 340,955 relevant to November 2013 from the Uva Provincial Council had been accounted as revenue for the year under review. Due to that, deficit for the year had been understated in a sum of Rs. 408,500 the financial statements.

- (c.) Ten per cent retention money amounting to Rs. 63,210 relevant to 05 Works payable as at 31 December of the year under review which should be accounted under Deposits Payable had been accounted under Creditors. Due to that, value of Creditors as at 31 December 2014 had been overstated by Rs.63,210 while the value of Deposits Payable had been understated to that extent in the financial statements.
- (d.) Although a sum of Rs. 261,110 had been paid during the year under review for removal of improperly dumped garbage in the Garbage Management Centre through a machine, a provision of Rs. 261,110 too had been made for Creditors for that as at 31 December 2014. Due to that, deficit for the year under review and the value of Creditors as at 31 December 2014 had been overstated at the rate of Rs. 261,110.
- (e.) Although the value of goods amounting to Rs. 19,810 removed at the Board of Survey carried out during the year under review should be debited to the Accumulated Fund, it had been debited to the expenditure items of the year under review. Due to that, deficit for the year and the Accumulated Fund Account balance as at 31 December 2014 had been overstated at the rate of Rs. 19,810.
- (f.) Although the Creditors Account should be credited having debited Accumulated Fund Account when making provision of Rs. 193,157 for interest payable in respect of the quarter IV -2013, relevant to the loan obtained from the Local Loans and Development Fund for Construction of Diyatalawa Market Complex Stage 1 by the Sabha, it had been debited to an expenditure Head of the year. Due to that, deficit for the year had been overstated to that extent in the financial statements.
- (g.) Interest payable amounting to Rs. 70,000 in respect of the month of December 2014 relevant to the loan obtained from the Local Loans and Development Fund for Construction of Diyatalawa Market Complex Stage 2 by the Sabha had been accounted twice. Due to that deficit for the year under review and Creditor balance at the end of the year had been overstated at the rate of Rs. 70,000 in the financial statements.

- (h.) Provision for Creditors in respect of Audit Fees payable relevant to the year under review had not been made.
- (i.) Audit Fees amounting to Rs. 32,928 had been accounted having treated as expenditure relevant to the year under review and due to that, the deficit for the year under review had been overstated in a sum of Rs. 32,928 in the financial statements.

### **1.3.2 Accounts Receivable and Payable**

According to the financial statements submitted, the value of Accounts Receivable balances as at 31 December of the year under review was Rs. 6,825,984 and the value of Accounts Payable balances had been Rs. 27,808,043.

### **1.3.3 Non-compliance with Laws, Rules and Regulations**

Staff Loans amounting to Rs. 54,562 outstanding for the period from the year 2007 to 2011 due from 11 employees who were in service of the Sabha and left on transfers and vacated post, had not been recovered in terms of Sections 1:6 4 in Chapter xxiv of the Establishments Code of the Republic of Sri Lanka.

## **2. Financial and Operating Review**

### **2.1 Financial Results**

According to the Financial Statements presented, excess of revenue over expenditure of the Sabah for the year ended 31 December 2014 had been Rs. 50,538 as compared with the corresponding excess of revenue over expenditure amounted to Rs. 6,636,694. Accordingly an unfavorable variation of Rs. 6,636,694 was observed.

### **2.2 Revenue Administration**

#### **2.2.1 Performance of Collection of Revenue**

While revenue billed for the year under review had been Rs. 2,430,234 Revenue in Arrears as at the end of the year had been Rs. 507,090, it was 21 per cent of the revenue billed.

### **2.2.2 Rates and Taxes**

Properties from which Rates could be recovered in the area of authority of the Sabha had not been assessed after the year 2004.

### **2.2.3 Lease Rent**

Monthly Lease Rent of 39 stalls belong to the Sabha had not been assessed through the Chief Valuer or an assessor linked with the Local Authorities in terms of provisions in the Circular No.1980/46 dated 31 December 1980 of the Commissioner of Local Government.

### **2.2.4 Other Revenue**

While action had not been taken to impose by-laws and recover charges for maintaining Communication Towers in the area of authority of the Sabha, those towers had been erected in 08 places in the area of authority of the Sabah.

### **2.3.5 Court Fines and Stamp Fees**

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

	Rs.
Court Fines	511,069
Stamp Fees	3,151,724
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	3,662,793
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## **3. Operating Review**

### **3.1 Operating Inefficiencies**

Loan installments totalling R.s 1,541,690 payable during the period from 30 December 2013 to 30 December 2014 for the loan of Rs. 6,800,000 obtained on 17 September 2010

from the Local Loans and Development Fund for construction of the Diyatalawa Market Complex - Stage 1 had not been paid even up to February 2015.

**3.2 Idle Assets**

Action had not been taken to repair and use or for proper disposal with regard to a Mitsubishi Cab Vehicle and a Hand Tractor belong to the Sabha, and those had been kept idle in the Sabha land.

**4. Systems and Controls**

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

- (a.) Accounting
- (b.) Stores Control