

Halawatha Pradeshiya Sabha

Puttlam District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statement for the year under review had been presented for audit on 31 March 2016 and the financial statements for the preceding year had been presented on 19 May 2015. The report of the Auditor General for the year under review was issued to the Secretary of the Sabha on 30 June 2016.

1.2 Qualified 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 Halawatha Pradeshiya Sabha as at 31 December 2015 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Unreconciled Control Accounts

At the Trial balance with supportive documents made in respect of each item of accounts in the financial statements, difference amounting to Rs.102,123,766 relating to 14 items of accounts were observed.

1.3.2 Accounts Receivable and Payable

The following observations are made:

- (a) Value of other income debtors which were in arrears for several years amounted to Rs.93,462,519 while non recovered staff loan amounted to Rs.325,935.
- (b) Action had not been taken to identify creditors of Rs.18,011,642 being brought forward over a period of five years.
- (c) Action had not been taken to settle a balance of Rs.95,108 which related to pre-payments being brought forward over a number of years.

(d) Action had not been taken to recover salary reimbursements amounted to Rs.1,804,736 receivable from Commissioner of Local Government.

1.3.3 Lack of Evidence for Audit

Due to non submission of age analysis, schedules and Board of survey reports relating to 03 items of accounts amounting to Rs.415,735,004 in the financial statements, it had not been possible to verify those accounts satisfactorily.

1.3.4 Non-compliance with Laws, Rules and Regulations

The following instances of non-compliance with laws, rules and regulations were observed in audit.

Reference to laws, rules regulations and management decisions etc.	Non-compliance
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(a)	Pradeshiya Sabha (Financial & Admininstration) Rules, 1988
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| (i) | Rule 10(2) | The Sabha was unable to fix target dates for commencing each project and adhere to target dates in their implementation. |
| (ii) | Rule 59 | Unable to conduct a survey and prepare a list of business undertakings at the begining of every year and not submitted the same to the Secretary before 31 March of the relevant year. |
| (iii) | Rule 218 | A Board of Survey had not been appointed to verify all lands and buildings owned by the Sabha at least once a year. |

(b) Financial Regulations of Republic
of Sri Lanka

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- (i) F.R. 571 (2) Action had not been taken to bring tender deposits of Rs.221,767, bid deposits of Rs.396,449, Security deposits of Rs.773,124 and 10% retention money amounting to Rs.2,721,769 remaining from 2011, 2012, & 2013 to Revenue.
- (ii) F.R. 260(1,2,3) & 389(a) A cheque must not be handed over to a payee unless he is properly identified, 61 cheques valued Rs.5,194,214 had been issued in contrary to that requirement.

2. Financial Review

2.1 Financial Result

According to Financial Statements presented, the excess of the recurrent expenditure over income of the Sabha for the year ended 31 December 2015 amounted to Rs.48,250,727 as compared with excess of recurrent expenditure over income for the preceding year amounted to Rs.17,131,997. Following the computation of capital aid of the year under review and preceding year that had been amounted to Rs.32,275,189 and Rs.51,196,551 and the capital expenditure amounted to Rs.70,499,867 and Rs.62,695,116 respectively, the excess of the same has been Rs.10,026,050 and Rs.5,633,432 respectively. Accordingly an increase of Rs.4,392,618 is indicated in the financial result of the year under review.

2.2 Analytical Financial Review

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- (a) Ratio between current assets and current liabilities remained as 3:1 while standard ratio should have been 2:1.
- (b) Total operating revenue of the Sabha for the year had been Rs.139 mn. as compared with Rs.93 mn. of the preceding years. Accordingly an increase of Rs.93 mn. was observed.
- (c) The excess arising out of the above position had been amounted to Rs.10 mn. in comparison with Rs.05 mn. in the preceding year. Accordingly Rs.05 mn. increase of the financial result was observed.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Revenue in Arrears

Information relating to estimated revenue, actual revenue and revenue in arrears submitted for the year under review and the preceding year.

Item of Revenue	2015			2014		
	Budgeted	Actual Receipts	Accumulated arrears as at 31 December	Budgeted	Actual receipts	Accumulative arrears as at 31 December
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
(a) Rates & Taxes	4,585	4,002	1,432	3,862	4,012	2,190
(b) Lease Rent	11,795	5,619	926	9,446	6,525	1,104
(c) Licence fee	5,701	2,479	-	4,401	3,237	-
(d) Other revenue	144,663	129,429	147,739	120,420	64,563	120,657

2.3.2 Revenue Collected from Billed Amount

Information relating to billing of income, collecting of income and revenue in arrears submitted in respect of the year under review are given below:

Item of Income	Billing of Revenue			Billing of Revenue				Arrears of Revenue		
	Arrears as at 01.01.2015	Billing of revenue in 2015	Total	Collected amount from arrears	Amount collected through billing	Total amount received for next year	Total amount collected	Balance from arrears	Arrears of billed revenue	Total
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	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates & Taxes	374,540	4,722,839	5,097,379	1,278,151	1,592,364	1,060,354	3,930,869	(903,610.44)	3,130,474	2,226,864
Acre Tax	287,536	48,541	336,078	51,373	12,613	6,699	70,686	236,163	35,928	272,091
Lease Rent	712,639	5,833,699	6,546,338	-	5,619,949	-	5,619,949	712,639	213,750	926,389
Licence Fee	-	2,479,141	2,479,141	-	2,479,141	-	2,479,141	-	-	-
<u>Other Revenue</u>										
House Rent	10,880	27,000	13,580	-	2,900	-	2,900	10,880	(200)	10,680
Entertainment Tax	9,716	12,000	21,716	-	12,000	-	12,000	9,716	-	9,716

Court fines	51,319,486	26,720,750	78,040,236	19,261,725	12,300,750	-	31,562,475	32,057,761	14,420,000	46,477,761
Stamp fees	62,988,004	29,000,000	91,988,004	15,985,273	-	-	15,985,273	47,002,731	29,000,000	76,002,731

2.3.3 Rates & Taxes

- (a) Collection of rates & Taxes during the year under review had been 77% out of the revenue to be collected resulting in a balance of Rs.2,226,864 at the end of the year. Rates & Taxes assessment carried out in 2013 has been implemented since the year under review. As a result the annual billing value had been increased by 125%.
- (b) Rates and Tax assessment effected in 2013 had been implemented since the year under review. In terms of Section 143(1) (11) of the Pradeshiya Sabha Act No.15 of 1987, action had been taken to recover rates and taxes from 98 residential/business construction units for which Letters of conformity had been issued in 2014 and 2015 on temporary assessment.
- (c) Action had not been taken by the Subject Clerk (Rates & Taxes) to prepare a list of individuals who are evading tax-payment and warrants of prohibition of property as per Rule 33 of Pradeshiya Sabha Rule (Finance and Administration) of 1988 at the end of each quarter and to submit the same for signature of the Secretary.

2.3.4 Property Tax

- (a) During the year under review 41 out of 86 properties owned by the Sabha had not been leased out. Accordingly the lost income based on the lowest bid amounted to Rs.2,378,617.
- (b) Legal action had not been taken during the year under review to recover the amount of Rs.181,347 recoverable as at 24 September 2013 from the Lessee, Munneshwaram Rest House.

2.3.5 Court Fines

Court fines of Rs.46,477,761 were to be recovered further from the Chief Secretary of the Province during the period under review.

2.3.6 Stamp Fees

Stamp fees in arrears amounting to Rs.81,988,004 were to be recovered further from the Chief Secretary during the period under review.

2.4 Structure of Expenditure

Budgeted and actual expenditure of the Sabha along with relevant variance of the year under review and the preceding year are given below.

Item of Expenditure	2015			2014		
	Budgeted	Actual expenditure	Variance	Budgeted	Actual expenditure	Variance
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Personal emoluments	51,714	62,575	(10,861)	47,825	42,940	4,885
Other	61,085	28,357	32,728	41,525	33,433	8,092
Sub total	112,799	90,932	21,867	89,350	76,373	12,977
Capital expenditure	122,325	70,500	51,825	48,750	62,695	(13,945)
Grand total	235,124	161,432	73,692	138,100	139,068	(968)

The following observations are made:

- Although the budgeted capital expenditure of the year under review amounted to Rs.122,325,000, actual expenditure was Rs.70,499,867. Accordingly budgeted provision had remained underutilized which being 42%.
- Excess of personal emoluments of the year under review over estimated value had been amounted to Rs.11 mn. representing 21% increase.

3. Operating Review

3.1 Preperation and Implementation of Annual Action Plan and Performance

Annual action plan had been formulated as stipulated at Paragraph 04 of the Public Finance Circular No.01/2014 dated 13 February 2014.

3.2 Contract Administration

During the year under review 194 projects had been received under 04 various project sources of which 34 projects were in progress as scheduled while one project had been cancelled.

3.3 Irregular Transavtion

Due to non purchasing of gas for crematorium from the distribution agent of the area, the loss inccred to the Sabha amonted to Rs.36,535.

4. Good Governance & Accountability

4.1 Budgetary Control

During the year under review Rs.6,003,150 under 66 recurrent votes and Rs.67,219,550 under 16 capital votes had been saved without any expenditure.

4.2 Human Resources Management

Approved and Actual Cadre

According to the information on approved and actual cadre of the Sabha as at 31 December 2015, the number of excess employees were 10 while the number of vacancies at secondary level had been 01.

5. Systems & Controls

Attention is drawn to the following fields of systems and controls.

- (a) Accounting
- (b) Budgetary Control
- (c) Assets Management
- (d) Control of Debtors and Creditors