

Hali-Ela Pradeshiya Sabha

Badulla District

1. Financial Statement

1.1 Presentation of Financial Statements

The financial statements for the year 2016 had been submitted to the Audit on 30 March 2017 while financial statements relating to the preceding year had been submitted on 14 March 2016. The report of the Auditor General for the year 2016 was issued to the secretary of the Sabha on 30 June 2017.

1.2 Qualified Opinion

In my opinion except for the effect on the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the HaliEla Pradeshiya Sabha as at 31 December 2016 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 Accounting Polices

The policy for recognition of stocks had not been disclosed in preparation of financial statements.

1.3.2 Accounting Deficiencies

The following deficiencies are observed.

- (a) Although the invoiced income of stamp fees for the year under review was Rs.5,000,000, this was understated by Rs.276,281 in the financial statements due to accounted as Rs. 4,723,719
- (b) The value of sundry creditors for the under review had been overstated by Rs.1,817,998 in the financial statements.
- (c) The value of stamp duty relating to previous year had been overstated by Rs.2,686,482.
- (d) A sum of Rs.3,686,482 had been accounted excessively as income from stamp fees when brought forward the balance as at 31 December 2015 to the date of 01 January 2016.
- (e) Arrears of rates and taxes for the year under review had been excessively included by Rs.49,531 in the financial statements.

- (f) Interest payable to Local Loans and Development Fund had been overstated by Rs.147,714 in the financial statements.
- (g) The value of drug stocks had been overstated by Rs.674,695 in the financial statements.
- (h) The value of motor vehicles and carts for the under review had been accounted in the financial statements by overstating Rs.182,150.
- (i) As pointed out in the previous year audit report, unaccounted 10 multipurpose mobile huts valued at Rs.265,000 which received from Ministry of Local Government and Provincial Councils was not adjusted even in the year under review.

1.3.3 Un-reconciled Control Accounts

A difference of Rs.18,262,171 was revealed when comparing the balances of account shown in the financial statements presented by the Sabha with relevant schedules.

1.3.4 Accounts Receivable and Payable

According to the financial statements presented, the value of balances of accounts receivable as at 31 December of the year under review was Rs. 81,770,113 while the value of accounts payable balances was Rs.55,037,652.

1.3.5 Lack of Evidence for Audit

Six items of accounts to the value of Rs.80,045,748 could not be satisfactory verified/ vouched in the audit due non submission of necessary information to audit.

1.3.6 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with following Laws, Rules and Regulations etc. observed in audit are shown below.

Reference to Laws, Rules, Regulations etc.

Non-compliance

(a) Section 19(xi) of Pradeshiya Sabha Act No.

A bare land belonging to the Sabha situated in Sampath Center, Attampitya had been given for an annual lease

15 of 1987	rental of Rs. 6000 without the approval of the Minister in charge for.
(b) Slaughter Ordinance	

(i) Section 21 of Chapter III	Licenses for running the slaughter house and transporting meats had been issued by the Sabha without Gazette Notification published by the Minister.
(ii) Section 22 of Chapter III	Bylaws for the slaughter houses had not been prepared and those slaughter houses had not been supervised by a Public Health Officer and Slaughter controller.
(iii) Section 4 of Chapter II	Permission had not been obtained before slaughter through submitting an application.
(c) Section 23 (a) of the National Environmental Act No. 47 of 1980	The environmental licenses had not been obtained for the places for slaughter houses.
(d) Financial Regulations (F.R.) of the Government of the Democratic Socialist Republic of Sri Lanka.	

(i) F.R. 142(1)	A proper assessment report had not been obtained for rent out the land in Attampitya belongings to Hali-Ela Pradeshiya Sabha .
(ii) F.R. 371	Although advances amounting to Rs.871,514 had been given in 09 instances for performing the works, those works had not been completed. However, actions had not been taken to recover those advances.
(iii) F.R. 1645	Daily running charts relating to four vehicles had not been properly maintained and finished to the Auditor General in prescribed Format 268.
(e) Section 1.6 of Chapter XXIV of the Establishment	Actions had not been taken to recover the outstanding staff loans totaling Rs. 155,013 due from 15 officers who death

- Code of the Democratic Socialist Republic of Sri Lanka. and dismissed from services.
- (f) Public Administration Circular No. 41/90 Fuel consuming had not been checked in 04 vehicles.
- (g) Letter No.12/1/1 dated 30 July 2016 issued by the Commissioner of Local Government 1031 letters of fuel to the value of Rs.97,945 had been utilized exceeding the monthly limit.

2. **Financial Review**

2.1 **Financial Results**

According to the financial statements presented, excess revenue over recurrent expenditure of the Sabha for the year ended 31 December 2016 amounted to Rs.5,891,090 and the corresponding excess revenue over recurrent expenditure for the preceding year was amounted to Rs.3,962,499.

2.2 **Revenue Administration**

2.2.1 **Performance of Revenue Collection**

(a) The outstanding income to be receivable to the Fund of the Pradeshiya Sabha as at 31 December 2016 was amounting to Rs. 5,928,420 and out of the invoiced income for the year under review, an amount Rs.1,680,767 or 35 per cent had been outstanding as at that date.

(b) Action had not been taken to recover the arrears water bill worth Rs.1,444,819.

2.2.2 **Other Income**

Recovery of Fee for Advertisement Boards

Fees for 15 advertisement boards had not been recovered.

2.2.3 **Courts Fines and Stamp Duties**

Courts Fines and Stamp Duty aggregating Rs.12,576,283 was receivable from the Provincial Council as at 31 December 2016.

3. **Operating Review**

3.1 **Operating Inefficiencies**

The arrears leased rent in respect of a land belonging to the Pradesya Sabha which leased out to a private party for a annual lease rental of Rs.48,000 had not been recovered even as at 31 December 2016. Although the Commissioner of Local Government had informed that take action to acquire the land to the Sabha, action had not been taken accordingly.

3.2 **Construct Administration**

Action had not been taken to recover the advance of Rs.300,000 granted to a Ruler Development Society.

3.3 **Controls over Vehicles**

- (a) Three cabs had been used by the officers without being placed their initial in the running charts of the vehicles and fuel valued at Rs.13,775 had been utilized for travelling of 689 km.
- (b) Original copies of the daily running charts and summary reports had not been rendered to the Auditor General.

4. **Good Governance and Accountability**

Budgetary Control

Budget had not been made use of as an effective tool of management control.

5. **Systems and Controls**

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

- (a) Revenue Administration
- (b) Contract Administration
- (c) Assets Management