

Haldummulla Pradeshiya Sabha
Badulla District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2016 had been submitted to Audit on 30 March 2017 while Financial Statements relating to the preceding year had been submitted on 30 March 2016. The report of the Auditor General relating to the year 2016 was issued to the Secretary to the Sabha on 30 June 2017.

1.2 Qualified Opinion

In my opinion except for the effect of 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 Haldummulla 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 Deficiencies

The following deficiencies are observed.

- (a) A sum of Rs.334,135 had been overstated in the accounts of the year under review as purchase of supply equipment.
- (b) Value of two saving accounts had been understated in the accounts by Rs.35,973.
- (c) Value of two saving accounts amounting to Rs.916,499 had been shown under non-current assets.
- (d) The value of motor vehicles and carts for the year under review had been overstated by Rs.5,638,432.
- (e) Recoverable revenue on stamps fees had been overstated by Rs.1,650,583.
- (f) Furniture and Fittings purchased under the Puranaguma Project valued at Rs.287,000 had not been accounted for.
- (g) Court Fine for the year under review had been understated by Rs.48,285.
- (h) Arrears revenue on court fines had been understated by Rs.720,271.

1.3.2 **Un-reconciled Control Accounts**

A difference of Rs.5,594,891 was observed when comparing the account balances shown in the financial statements with the balances shown in the corresponding schedules.

1.3.3 **Accounts Receivable and Payable**

According to financial statements presented by the Sabha, the value of accounts receivable as at 31 December of the year under review was Rs.21,613,186 while the value of accounts payable as at that date had been Rs.18,451,022.

1.3.4 **Lack of Evidence for Audit**

Five items of accounts valued at Rs.63,101,076 could not be satisfactorily vouched / verified in audit due to non-submission of required information.

1.3.5 **Non-compliance with Laws, Rules and Regulations**

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

Reference to Laws, Rules and Regulations etc.

Non-compliance

(a) Section 52 of the Pradeshiya Sabha Act, No.15 of 1987

Action had not been taken to demolish 09 un-authorized constructions.

(b) Pradeshiya Sabha (Financial Administration) Rules of 1988

(i) Rule 164

Books of accounts and registers of Sabha had not been checked on daily basis.

(ii) Rules 217 and 218

A registry by conducting a Boards of Survey in respect of lands had not been maintained.

(c) National Environmental Act No.47 of 1980 and part "C" of Extraordinary Gazette No. 1523/16 dated 25 January 2008

Environmental Protection Licenses for 04 tea factories and 56 business organizations had not been issued.

(d) Financial Regulation of the
Government of the Democratic Socialist
Republic of Sri Lanka

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| (i) F.R. 880, the letter No.2/M/1 dated 24 March 2005 of Chief Secretary to the Uva Province and Rule 180 of the Pradeshiya Sabha (Financial and Administrative) Rules of 1988 | Securities to be deposited by 09 officers had not been deposited their securities. |
| (ii) F.R. 110 | Register to record losses and damages had not been maintained. |
| (iii) F.R. 384(3) | A register for safe custody of cheques had not been maintained. |
| (iv) F.R. 756 | Boards of Survey for the year 2016 had not been conducted. |
| (e) Treasury Circular No. IAI/2002/02 of 02 December 2002 | A fixed register for computers and accessories had not been maintained. |

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.6,080,555 while the corresponding excess revenue over recurrent expenditure for the preceding had been Rs.3,679,636.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

The arrears income recoverable as at 31 December 2016 relating to previous years was amounted to Rs.1,268,303 and an amount of Rs. 749,915 or 25 per cent out of the billed income had been in arrears as that date.

2.2.2 **Court Fine and Stamps Fees**

The recoverable Court Fine and Stamps Fees from the Chief Secretary to the Council and other authorities as at 31 December 2016 was amounted to Rs.5,018,688.

3. **Operating Review**

3.1 **Management Inefficiencies**

(a) Unsettled advances aggregating Rs.481,110 had not been cleared even up to 31 December 2016.

(b) The counterfoil of receipts books used for the collection of revenue in the Koslanda Nikapatha Sub-office had not been handed over by 31 December 2016.

3.2 **Operating Inefficiencies**

Two parts removed in two instances from the machine had been kept idle in the store without being utilized for any purpose.

3.3 **Uneconomic Transaction**

A trade complex constructed at Koslanda in 2010 by spending Rs.6,591,627 during the year 2010 could not be used for trade activities due to un-construction of excess road to the building. In this regard a sum of Rs.865,247 had been incurred annually from the Fund of the Sabha as loan installments and interest.

3.4 **Identified Losses**

An equipment worth Rs.80,237 with No: 910 had been misplaced.

4. **Accountability and Good Governance**

4.1 **Budgetary Control**

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

4.2 **Annual Procurement Plan**

An Annual Procurement Plan had not been implemented during the year under review.

4.3 **Internal Audit**

Internal audit had not been carried out for the year under review.

4.4 **Assets Management**

(a) **Conduct of Annual Boards of survey**

Boards of Survey for the year 2016 had not been conducted.

(b) **Maintain of Register for Computers**

A Register for Computers and Accessories had not been maintained in terms of Treasury Circular No: 2002/IAI/02

(c) **Issue of Festival Goods**

Festival goods valued at Rs.39,000 had been issued to the parties who were not entitled to obtain Government grants.

(d) **Issue of Material worth Rs.250,000**

Roofing sheets valued at Rs.250,000 had been issued to repair the labour residence of "Pahala vihargalla" and at the physical inspection it was not confirmed the existence of such a residency. .

5. **Systems and Controls**

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

- (a) Accounting
- (b) Stores Administration
- (c) Construct Administration
- (d) Control over Debtors and Creditors
- (e) Fixed Assets

