

Haputale Pradeshiya Sabha  
Badulla District

**1. Financial Statements**  
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**1.1 Presentation of Financial Statements**  
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The Financial Statements for the year 2016 were submitted to Audit on 30 March 2017 while Financial Statements relating to the preceding year had been submitted on 28 March 2016. The Auditor General's report relating to the year 2016 was issued to the Secretary of the Sabha on 30 June 2017.

**1.2 Qualified Opinion**  
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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 Haputale 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**  
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**1.3.1 Accounting Polices**  
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The accounting policy for valuation of closing stocks had not been disclosed.

**1.3.2 Accounting Deficiencies**  
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The following deficiencies are observed.

- (a) Stamp fees revenue amounting to Rs.463,854 for the year 2014 had been accounted as income of the year under review.
- (b) Revenue from stamp fees for the year under review had been billed by understating Rs.637,306.
- (c) Rental income recoverable from meat stalls for the year under review amounting to Rs.205,405 had not been accounted for.
- (d) Rental income recoverable from trade stalls for the year under review amounting to Rs.25,824 had not been accounted for.
- (e) Outstanding stamps fee of Rs.32,980 relating to the year under review had not been accounted for.

### 1.3.3 **Accounts Receivable and Payable**

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According to the financial statements presented by Sabha, the value of accounts receivable as at 31 December of the year under review was Rs.12,713,526, while the value of accounts payable as at that date had been Rs.11,624,835.

### 1.3.4 **Lack of Evidence for Audit**

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An asset item to the value of Rs.75,829,579 could not be satisfactorily vouched in audit due to non-submission of required information.

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

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

#### **Reference to Laws, Rules, Regulation etc.**

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#### **Non-compliance**

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(a) Pradeshiya Sabha Act No. 15  
of 1987

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(i) Section 132 ( a) and (o)

Approval for expenditure aggregating Rs.90,343 had not been obtained from the respective Minister in 07 instances.

(ii) Section 134(1)

The rates and taxes had been recovered based on the valuation conducted in the year 2002 instead of being recovered the rates and taxes on annual value by valuing the immovable properties once in every 05 years.

(b) Rule No. 177 of the Pradeshiya  
Sabha (Financial  
Administration) Rules of 1988

Fifteen trade stalls had been awarded without calling tenders.

(c) Financial Regulations of the  
Government of the Democratic  
Socialist Republic of Sri Lanka.

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(i) F.R. 396(d )

Action hadnot been taken in respect of 04 cheques

- aggregating Rs.55,314 which issued but not presented for payments.
- (ii) F.R. 571 Lapsed deposits held for more than 02 years valued at Rs.781,763 relating to 181 instances had not been disposed.
- (d) Sections 1:6 and 4 of Chapter XXIV of the Establishment Code. Arrears staff loan of Rs.50,012 recoverable from 11 employees who were transferred out and vacated their post had not been recovered.
- (e) Circular No.1980/46 of 31 December 1980 issued by the Commissioner of Local Authorities. Although monthly rental of each and every trade stall should be assessed in every 5 years, monthly rent income totaled Rs. 257,122 relating to 62 trade stalls had not been so assessed.
- (f) Gazette No. 2361 dated 04 December 2015 of the Democratic Socialist Republic of Sri Lanka. Fee of Rs.24,000 for eight transmission towers which established in the authority area of the Sabha had not been recovered and licenses were also not issued.

## 2. **Financial Review**

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### 2.1 **Financial Results**

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According to the financial statements presented, excess revenue over recurrent expenditure of the Sabha for the year ended 31 December 2016 amounted to Rs.2,598,636 while the corresponding excess revenue over recurrent expenditure for the preceding year had been Rs.13,341,259.

### 2.2 **Revenue Administration**

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#### 2.2.1 **Performance in Revenue Collection**

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The following matters are observed.

- (a) Income receivable to Fund of the Sabha relating to previous years as at the end of the year under review was Rs.1,288,078 and out of billed income, an amount equal to 50 per cent had been outstanding as at 31 December of the year under review.
- (b) After 2012, action had not been taken to assess new income sources in order to increase the existing revenue.

### 2.2.2 **Court Fine and Stamps Fees**

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The court fine and stamps fees recoverable from the Chief Secretary to the Province and other authorities as at 31 December 2016 was Rs. 3,715,229.

## 3. **Operating Review**

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### 3.1 **Operating Inefficiencies**

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A sum of Rs. 2,775,199 had been paid to 17 casual and temporary basis labours in 2016 for working in the field as a result of deploying 26 permanent labours in the office works.

### 3.2 **Idle Assets**

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Action had not been taken to repair or dispose of 02 unused vehicles belong to Sabha which purchased for Rs. 1,345,000.

### 3.3 **Identified Losses**

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(a) An advance of Rs. 2,952,705 was paid under the Provincial Specified Development Grant - Local Government Service Program to the contractor for the construction of a crematorium for Haputale Pradeshiy Sabha and this project was canceled according to the decision taken at the meeting of the Board of Ministers of Uva Province. Further, sums of Rs. 106,433 paid for the works done by the contractor had not been reimbursed.

(b) Although official period of the members was elapsed, the entire member allowance for the month of May had been paid to 11 members including the Charmin. However, action had not been taken to recover the overpayment of Rs. 81,000 from them.

## 4. **Accountability and Good Governance**

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### 4.1 **Budgetary Control**

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Budget had not been made use of a management control tool in controlling the expenditure and revenue of the year under review.

### 4.2 **Annual Procurement Plan**

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An annual procurement plan had not been implemented during the year under review.

4.3 **Internal Audit**

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Internal Audit had not been carried out for the year 2016.

4.4 **Implementation of Audit and Management Committee**

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Audit and Management Committees had not been implemented during the year under review.

5. **Systems and Controls**

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

- (a) Fixed Assets
- (b) Control over Constructs
- (c) Internal Control
- (d) Inventory Control
- (e) Control over Revenue
- (f) Control over Vehicles
- (g) Expenditure Control
- (h) Accounting