

Haldummulla Pradeshiya Sabha
Badulla District

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year 2017 had been submitted to the audit on 27 March 2018 and the report of the Auditor General had been sent to the Chairman of the Council on 30 August 2018.

1.2 Qualified Opinion

In my opinion except for the effect on the matters in Paragraph 1.3 of this report, Financial Statements give a true and fair view of the financial position of the Haldummulla Pradeshiya Sabha as at 31 December 2017 and it's financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statement

1.3.1 Accounting Deficiencies

The following matters were observed

- a. Although an amount of Rs.1,656,301 should be paid to the Pension Contribution Fund as at 31 December of the year under review, it had been accounted as Rs.1,689,251 as such liabilities were overstated by an amount of Rs.32,950.
- b. Although Fixed Deposit Interest to be received as at 31 December of the year under review amounted to Rs.150,443 it was accounted in Financial Statements as Rs.199,701 as such Current Assets were overstated by Rs.49,258.
- c. Miscellaneous debtors were understated by Rs.210,787 as at 31 December of the year under review
- d. Although the Stamp Fees Income amounted Rs.5,615,608, for the year under review it was accounted in the Financial Statements as Rs.4,743,739 as such Surplus and Current Assets were understated by an amount of Rs.871,869.
- e. Although the Court Fine Revenue amounted to Rs.2,044,134, for the year under review it was accounted in Financial Statements as Rs.2,140,644 as such the Surplus and Current Assets were overstated by an amount of Rs.96,510.

1.3.2 Unreconciled Accounts

The total of 3 accounting items amounting to Rs.4,705,619 in the Financial Statements is deferred from the relevant subsidiary records and as such there was an unreconciled balance of Rs.624,699.

1.3.3 Accounts Receivable and Payable

a. Accounts Receivable

As at 31 December of the year under review, Accounts Payable Balance amounting to Rs.19,493,640 includes Arrears Rates due for 2 years amounting to Rs.248,327, Arrears of Capital Provisions amounting to Rs.14,752,785, Miscellaneous Revenue due for 3 years amounting to Rs.3,072,524, Arrears of Shop Rent due for 8 years amounting to Rs.699,770, Arrears of License Fees due for 02 years amounting to Rs.60,509, Arrears of Water Bills amounting to Rs.398,972, Arrears of Acreage Tax amounting to Rs.154,074, Arrears of Shop Rent amounting to Rs.3,100 and lease rent amounting to Rs.103,579.

b. Accounts Payable

As at 31 December of the year under review, Accounts Receivable balance amounting to Rs.19,073,785 includes Expenditure Creditors due for one-year amounting to Rs.131,122 Work Creditors amounting to Rs.17,253,412 for 05 years and Pension Creditors amounting to Rs.1,689,251 for 25 years.

1.3.4 Lack of Documentary Evidence for Audit

Due to lack of evidence relating to 03 items of accounts totaling to Rs.59,229,132 could not be satisfactorily verified or vouched in audit.

1.3.4 Non-compliance

1.3.5.1 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with Laws, Rules, Regulations and Management Decisions are as shown below.

	Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance
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		Rs.	
a.	National Environmental Act No.47 of 1980 amended by the Acts No.56 of 1980 and Act No.53 of 2000	56,000	Environmental Licenses were not issued for 14 businesses that should obtain Environmental License.

- b. Pradeshiya Sabha (Financial and Administration)
Rule 164 Accounting books and documents were not checked daily by an officer authorized by the Council Secretary.
- c. Gazette Notification No.1533/16 dated 16,800
25 January 2008 Trade License had not been issued and revenue not collected for 6 businesses within the authority area of Council for the year 2017.
- d. No.1980/46 Circular dated 31
December 1980 Although Monthly Rental for shops should be get assessed per every five years from the Government Valvar it was not done for 37 shops belonging to the Council and instead a monthly rent had not been collected.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, surplus of revenue over Recurrent Expenditure of the Council for the year ended 31 December 2017 amounted to Rs.6,389,311 and the corresponding surplus of revenue over Recurrent Expenditure for the preceding year amounted to Rs.6,080,555.

2.2 Revenue Administration

2.2.1 Estimated income, Billed income, collected income and Arrears of income

The details of the Estimated Income, Billed Income, Collected Income and Arrears of Income for the year under review and the preceding year are as follows.

Source of income	2017				2016			
	Estimated income	Billed income	Collected income	Arrears due to 31 December	Estimated income	Billed income	Collected income	Arrears due to 31 December
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
(i) Rates and tax	2,415,070	2,154,860	1,937,507	553,423	2,195,364	2,145,432	1,586,925	598,282
(ii) Rent	1,689,520	802,920	1,444,603	-	1,453,760	800,490	1,499,880	-
(iii) License fees	498,100	490,730	565,130	-	946,200	-	715,780	-
(iv) Other income	3,860,000	6,884,384	2,432,850	4,642,666	4,115,000	6,451,282	3,731,594	2,719,688
Total	8,462,690	10,332,894	6,380,090	5,196,089	8,710,324	9,397,204	7,534,179	3,317,970

2.2.2 Performance on revenue collection

The total billed revenue for the year ended 31 December 2017 amounted to Rs. 10 million and collected revenue amounted to Rs.6.3 million However Revenue amounted to Rs.5 million to be collected in comparison to the preceding year the arrears of revenue collection were increased by 57 per cent.

2.2.3 Rent

Appropriate By laws for the recovery of Annual License Fees had not been enacted and published in the Gazette. Although an annual License fee of Rs.600 had to be recovery from a three-wheel park according to the Council decision fees had not been recovered for 87 three wheels regarding at the Council as such there was a loss of Rs.52,200 to the Council.

2.2.4 Other Revenue

a. Advertisement Board Income

Although Fees should be recovered as per the Gazette No.1996 dated 02 December 2016 for displaying of advertisement board within the authority area of Council according to Paragraph 39 of No.520/7 By Law dated 23 August 1998, it was observed at a sample audit test check, income amounting to Rs.112,500 had not been recovered by the Council.

b. Water Bills

Hundred and forty-one consumer water meters in 04 water projects were out of order and nominal fee of es.100 had been charged and action had not taken to fix water meters.

2.2.5 Court Fines and Stamp Duties

The Court Fines and Stamp Fees to be recovered from the Chief Secretary of the Council and other authorities as at 31 December 2017 amounts to Rs.1,937,664 and Rs.4,101,599 respectively.

3. Operational Review

3.1 Performance

It was revealed after animalizing the execution of activities by the Pradeshiya Sabha in accordance with Pradeshiya Sabha Act, Section 3 such as regulation of health of the general public, common utility services and public road facilities and maintenance of people's prosperity, welfare and development are given below.

a. By Laws

Although Bylaws should be enacted for 30 main functions according to 126 of 1987 Pradeshiya Sabha Act, only 22 By Laws had been enacted up to 31 December 2017.

b. Action plan

An Action Plan had not been prepared for the year under review.

c. Solid Waste Management

By-Laws had been approved relating to solid waste management as according to No.1178/45 Extraordinary Gazette dated 05 October 2012 of the Democratic Socialist Republic of Sri Lanka, yet action had not been taken to collect garbage taxes in the years 2015, 2016, and 2017. As a result, the Council had lost an income amounting to Rs.50,000.

d. Sustainable Development Goals

Due to the Council not being aware of 2030 agenda of Sustainable Development Goals, the global index of such purposes for a long time plans to enhance the living standards and health of the people living in the authority area of Council had not been initiated to 31 December 2017.

3.2 Management Inefficiencies

a. Unsettled Advance

- i. Advances amounting to Rs.271,110 due from 1994 had not been settled even up to 31 December 2017.
- ii. Construction advance paid to Kithulgala Arawa Rural Organization amounting to Rs.210,000 in the year 2014 had not been settled even up to 31 December 2017.

b. Approving Building Applications and Issuing of Compliance Certificates

Identifying and taking legal action relating unauthorized construction in the area according to Sections 49 and 52 of the Pradeshiya Sabha Act No.15 of 1987 had not been done. According to the records of the Council 105 Building applications had been approved within the year 2012 to 31 December 2017 in respect of the building of the authority area only 25 Compliance Certificates had been issued.

c. Construction of Koslanda Shopping Complex

Koslanda shopping complex had been constructed in the year 2010 by the Council for an amount of Rs.6,665,665 using the funds from Local Loan Development Fund and the Council funds. Access road for the complex had not been prepared as such the building had been idle up to December of the year 2017 and the income to be collected to the Council had been lost.

3.3 Human Resource Management

a. Vacancies and Excess of Staff

There were five vacancies and 20 excess cadre as at 31 December of the year under review.

b. Staff Loans

Actions had not been taken to collect Rs.25,220 from 2 officers who had left the service.

3.4 Asset Management

a. Non-collection of Income from Assets

Although two current accounts belonging to the Council having balance of Rs.4,665,755 and Rs.8,042,651 since January to September of the year 2017, action had not been taken to invest those money in fruitful manner and to get to the surplus amounts an interest income of Rs.500,393.

b. Lands not Vested

According to Section 127 of the Pradeshiya Sabha Act No.15 of 1987 cemetery lands should be measured and maintained. But action had not been taken to maintain a register with the details such as deeds, vesting measurements and demarcations of boundaries relating to 35 acres of 38 cemeteries belongs to the Council orders and survey orders and boundary registers for 38 cemeterial lands totaling to 35 acres was not stated in the land register.

3.5 Procurement

3.5.1 Procurement Plan

A procurement plan had not been prepared for the year under review.

4. Accountability and Good Governance

4.1 Budget Control

It was observed that there were considerable variations in the budgeted Revenue and Expenditure for the year under review with the actual revenue and expenditure and that indicating the budget had not been used as an effective instrument of management control.

4.2 Internal Audit

An internal audit had not been done for the year under review.

4.3 Audit and Management Committees

The Audit and Management Committees was not functioned for the year 2017.

5. System and Control

Weaknesses observed in audit had been informed to the Council time to time and Special attention is needed in the following areas of control.

System -----	Weakness -----
a. Accounting	i. Not account Costs of Fixed Asset ii. Errors found when copying the Ledger prepared for the year under review. iii. Not documenting Land, Constructions and Buildings identified at the Board of Survey. iv. Value of accounting items not tallying each other.
b. Stock Control	i. Issue Orders and Receive Orders were not used. ii. Not maintaining a Counter Foil Register.
c. Contract Control	i. Contract Register were not maintained ii. Not maintaining Construction files.
d. Loan Control	i. Not recovering Arrears of income. ii. Not maintaining of Arrears income reports.
e. Fixed Deposits	i. Not maintaining Fixed Deposit Registers. ii. Not verifying Assets.