

Haputale Pradeshiya Sabha  
Badulla District

---

1. Financial Statements

---

1.1 Presentation of Financial Statements

---

The Financial Statements for the year 2017 had been submitted for audit on 29 March 2018 and the report of the Auditor General had been sent to the Chairman on 30 August 2018.

1.2 Qualified Opinion

---

In my opinion except for the effect on the matters described in Paragraph 1.3 of this report, Financial Statements give a true and fair view of the financial position of the Haputale Pradeshiya Sabha as at 31 December 2017 and its 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

---

- a. The beef Stall Rent and the Trade stall rent receivable amounting to Rs.231,229 from the preceding year had been accounted less. Later it was corrected but the corrected amount had been credited to the Accumulated Fund. As a result, the Accumulated Fund was understated by that amount.
- b. Twenty-one items were identified at the Board of Survey in the year under review and auctioned on 19 February 2018 for a sum of Rs.36,665. However, value of three items had not been written off from the Books. As a result, the excess was overstated by that amount.
- c. Provisions for audit fees for the year under review had not been made.

1.3.2 Unreconciled Accounts

---

There was a unreconciled difference amounting to Rs.4,338,728 between the Financial Statements and the corresponding subsidiary registers for the year under review

1.3.3 Accounts Receivable and Payable

---

a. Accounts Receivable

---

At 31 December of the year under review, accounts payable balance amounting to Rs.27,561,939 include arrears of rates amounting to Rs.199,557, Warrant Fees and Fines amounting to Rs.13,832, Shop Rent amounting to Rs.716,158, Arrears of Miscellaneous

Revenue due for 2 years amounting to Rs.389,983, Vehicle Tax amounting to Rs.681,829 and Arrears of Work aids amounting to Rs.25,560,580.

b. Accounts Payable  
-----

At the end of the year under review, accounts receivable balance amounting Rs.28,896,196 includes Work Creditors due for 2 years amounting to Rs.27,714,812 and expenditure creditors due for 01 year amounting to Rs.1,181,384 and actions had not been taken to settled.

1.3.4 Lack of Documentary Evidence for Audit  
-----

Land and Building amounting to Rs.75,854,579 could not be satisfactorily vouched in audit due to lack of details such as deeds, plans and grants certificates.

1.3.5 Non-compliance  
-----

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

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

| Reference to Laws, Rules, Regulations and Management Decisions<br>-----    | Value<br>-----<br>Rs. | Non-compliance<br>-----  |
|--|-----------------------|--|
| a. Pradeshiya Sabha Act No.15 of 1987                                      |                       |  |
| i. Section 49 and 52   |                       | Although 28 illegal constructions had been identified in the year 2017 within the authority area of the Council, action to settle those had not been taken by the Council. |
| ii. Section 134 (2)  |                       | Although the Rate and Tax should be decided after considering the development level of a developed area or a part of that area, action had not been taken accordingly.     |
| b. Section 218 of 1988 Pradeshiya Sabha Act (Financial and Administration) |                       | Although the Lands and Buildings should be verified annually, board of survey of lands and buildings had not   |

been surveyed in the year 2016 and 2017.

|    |  |         |  |
|----|--|---------|--|
| c. | Section 4 of Chapter XXIV of the Establishment Code of the Democratic Socialist Republic of Sri Lanka. | 49,274  | Staff Loan balances recoverable of 10 staff members who had transferred or left the service had not been recovered.  |
| d. | Financial Regulations of the Democratic Socialist Republic of Sri Lanka                                |         |  |
| i. | Financial regulation 371   | 31,700  | Although ad hoc advance should be settled immediate after finishing the work, there were advances which were not settled even as at 31 December 2017.  |
| i. | Financial regulation 571   | 233,021 | Settlement of 9 deposits due for more than 2 years in General Deposits Account had not been made.  |
| e. | Public Administration Circular No.30/2016 dated 29 December 2016                                       |         | Fuel consumption check of 4 vehicles had not been done within the year 2017.   |
| f. | Circular No.1980/46 dated 31 December 1980 of the Local Commissioner of Local Government.              |         | Although monthly rent of trade stalls maintained by the Council should be get valued every five years through the Government Valuation Department, however such a valuation had not been done for 42 stalls belonging to the Council and instead a monthly rental determined by the Council was being recovered. |

02. 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.6,583,012 and the

corresponding excess revenue over recurrent expenditure for the preceding year amounted to Rs.2,598,636.

## 2.2 Revenue Administration

### 2.2.1 Estimated Income, Billed Income, Collected Income and Arrears of Income

The details about the Estimated Income, Billed Income, Collected Income and Arrears of Income for the year under review and the preceding year are shown below.

|                  |               | 2017                  |                     |                        |                                 | 2016                  |                     |                        |                               |
|------------------|---------------|-----------------------|---------------------|------------------------|---------------------------------|-----------------------|---------------------|------------------------|-------------------------------|
| Source Of Income |               | Estimate Income<br>Rs | Billed Income<br>Rs | Collected Income<br>Rs | Arrears as at 31 December<br>Rs | Estimate Income<br>Rs | Billed Income<br>Rs | Collected Income<br>Rs | Arrears Due 31 December<br>Rs |
| (i)              | Rates and Tax | 669,900               | 669,900             | 1,020,219              | 199,754                         | 619,900               | 619,900             | 701,427                | 127,681                       |
| (ii)             | Rent          | 6,106,935             | 6,106,935           | 6,454,842              | 716,157                         | 5,741,521             | 5,741,521           | 6,305,063              | 191,560                       |
| (iii)            | License Fees  | 615,300               | 615,300             | 794,675                | --                              | 540,300               | 540,300             | 563,978                | 6,950                         |
| (iv)             | Other Income  | 47,774,005            | 47,774,005          | 78,173,723             | 3,129,570                       | 43,133,757            | 43,133,757          | 46,699,304             | 12,387,335                    |
|                  | Total         | 55,166,140            | 55,166,140          | 86,443,459             | 4,045,481                       | 50,035,478            | 50,035,478          | 54,269,772             | 12,713,526                    |

### 2.2.2 Performance in Revenue Collection

The total billed revenue for the year ended 31 December 2017 amounted to Rs. 55.2 million while collected revenue amounted to Rs. 86.4 million. However, the end of the year Rs. 4 million was to be collected and in comparison to the preceding year collection of arrears of revenue was reduced by 68.5 per cent

### 2.2.3 Court Fine and Stamp Fees

The Court Fines and Stamp Fees to be recovered from the Provincial Council as at 31 December 2017 amounted to Rs.1,160,879 and Rs.3,488,600 respectively.

## 03. Operational Review

### 3.1 Performance

It was revealed after the analyzing of the execution of activities by the Pradeshiya Sabha in accordance with 1987 Pradeshiya Sabha Act Section 3 such as regulation of health of the public,

common utility services and public road facilities and maintenance of people's prosperity, welfare and development are given below.

a. Action Plan

-----

An action plan for the year 2017 had not been prepared for the activities to be fulfilled by the Council according to the By Laws enacted.

b. Environmental Problems

-----

Two businesses had not obtained Environmental Protection License in term of the National Environmental Act No. 47 of 1980 amended by Acts No.56 of 1988 and No.53 of 2000. An annual server to identify businesses that should obtain the Environmental License for the year 2017 had not been done.

c. Sustainable Development Goals

-----

Due to the Council not being aware of 2030 agenda of Goals of Sustainable Development, the global view of such purposes long term plan to enhance the living standards and health of the people living in the authority area of the Council had not been initiated up to 2018.

3.2 Management Inefficiencies

-----

Two Lots of Lands each 8.75 perches named Diyathalawa Pathana belonging to the Council had been rented out to two outside parties without an agreement.

3.3 Human Resource Management

-----

Three vacancies and 19 surpluses were carder in the Council as at 31 December of the year under review.

3.4 Procurement

-----

3.4.1 Procurement Plan

-----

The followings were observed

- a. A procurement plan for the year under review had not been prepared by the Council.
- b. Procurement objectives should be fulfilled when selecting Community Based Organizations for 11 community-based contracts valued at to Rs.7,022,644, and such should be under the supervision of a committee of 2 reprehensive appointed by the Divisional Secretary, However such action had not been when selecting community-based organizations.

- c. Although in term of the Section 3.9.1 of the Procurement Guide Line Societies are carry out contract not more than three at a time contrary to that the Council had come to four agreements with a Rural Development Society when offering Projects.

4. Accountability and Good Governance  
-----

4.1 Budget Control  
-----

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

4.2 Internal Audit  
-----

A proper Internal Audit had not been conducted for the year 2017 by the Council.

05. System and Control  
-----

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

| System<br>-----     | Weaknesses<br>-----   |
|---------------------|---|
| A. Fixed Assets     | <ul style="list-style-type: none"> <li>i. Not maintained a Fixed Assets Register was.</li> <li>ii. Not properly identified the Land and Building belonging to the Council.</li> </ul>                         |
| B. Contract Control | <ul style="list-style-type: none"> <li>i. Not maintained a Contract Register.</li> </ul>  |
| C. Internal Control | <ul style="list-style-type: none"> <li>i. Segmentation of duties were not done within the staff of the Pradeshiya Sabha subjected to a proper internal control method.</li> </ul>                             |
| D. Stock Control    | <ul style="list-style-type: none"> <li>i. Stocks control was not properly done, and Registers were not maintained.</li> </ul>   |
| E. Vehicle Control  | <ul style="list-style-type: none"> <li>i. Not written details of Daily running charts of vehicles and machines.</li> <li>ii. Technicians were not consulted regarding the maintenance of vehicles.</li> </ul> |