

Haldumulla Pradeshiya Sabha
Badulla District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented for audit on 27 February 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 30 May 2019 and 31 May 2019 respectively.

1.2 Qualified Opinion

In my opinion, except of the effect of matters described in the basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Haldumulla Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally accepted Accounting Principles.

1.3 Basis for Qualified Opinion

(a) Accounting deficiencies

Audit Observation -----	Recommendation -----	Comments of the account office -----
(i) Rs.1,060,420 of the industrial creditors were not accounted for as of December 31 of the year under review.	Should be correctly brought to account	Will be corrected by a journal note in 2019.
(ii) Provision has not been made for audit fees for the year under review.	Should be correctly brought to account	Will be corrected by a journal note in 2019.

(b) Un reconcile Accounts

Audit Observation -----	Recommendation -----	Comments of the account office -----
I. Unable to verify lands and building worth Rs.57,559,641 and pension creditors Rs.1,650,854 satisfactorily in	Evidence relevant to the audit should be provided with the accounts.	Would be capable of providing all evidence when presenting the accounts of 2019.

audit as deeds and plans had not been submitted for the survey.

1.4 Non compliance

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

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Recommendation	Comments of the Accounting officer
(a) Pradeshiya Sabha Act No.15 of 1987			
I. Section 49,52	Proper action had not been taken regarding 14 unauthorized buildings within the confines of the Sabha.	Action should be taken in terms of the act	Legal action will be taken in the following financial year
II. Section 127	The land register of 35 of 38 cemeteries owned by the Sabha have not been updated nor have the boundaries of the cemeteries been marked with deeds ,transfer and survey orders,	Action should be taken in terms of the act	Surveying had been conducted for 10 cemeteries after obtaining survey orders. Steps will be taken to obtain the survey orders for the remaining cemeteries
III. Section 149	Even though the Sabha can charge up to 1 percent of annual turnover from 5 hotels in the Sabha, it has not been charged.	1% should be charged from the turnover.	Action will be taken to accurately recover the taxable income of 1% in 2019.
(b) 1998 Pradeshiya Sabha (Finance	Although the advanced should be settled immediately	Steps should be taken to settle the advance.	Action will be taken to settle this balance which exists since 1994

and after completion of Administration the work, the unpaid) Rules advance balance as at Rule 114 December 31 of the year under review is Rs.466,931.

- (c) Circular No. 1980/46 of 31 December 1980 of the commissioner of Local Government Shops had been rented for a monthly rent determined by the council instead of conducting a valuation from a government assessor Action should be taken according to the circular A valuation report had been obtained from the valuation department on 20 January 2018 and since the rental value is 3 times higher than the existing rent, new assessments are in the process of being implemented

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2018 amount to Rs. 6,784,399 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs. 6,389,311.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2018				2017			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Rates and tax	566,085	565,043	512,436	208,850	566,085	555,011	400,975	248,327
Shop rent	587,520	588,560	382,370	783,590	587,520	586,920	463,590	699,770
Acreage tax	73,561	77,497	53,897	128,713	73,561	77,077	42,629	154,075
Water tax	1,527,100	1,466,068	1,046,457	524,793	1,527,100	1,512,740	1,157,833	398,973
Ground tax	216,000	216,000	211,000	60,500	216,000	216,000	132,000	103,5579
Total	2,970,266	2,913,168	2,206,160	1,706,446	2,970,266	2,947,748	2,197,027	1,604,724

2.2.2 Performance in collection of Revenue

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
(a) Out of the total assessed revenue of Rs. 2,913,168 of the year under review, Rs. 1,706,446 had not been collected. It is 59 percent of the total assessed revenue.	Recovery of arrears of revenue should be intensified	A lawsuit has been filed in order to recover the continued arrears of rent of Rs. 430,000 and action will be taken to recover the other arrears.
	Action should be taken to recover the due revenue.	Action will be taken to recover the receivable revenue in the following year.
(b) Total of accounts receivable amounting Rs. 12,196,185 which has been existing for over a year had not been recovered in the year under review.		

2.2.3 Court Fines and Stamp Fees

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
(a) Court Fine ----- Receivable court fine of Rs. 3,500,783 had not been recovered as at 31 December of the year under review.	Recovery of court fee arrears should be intensified.	By now Rs. 627,726 has been recovered and action is being taken to recover the balance.
(b) Stamp Fee ----- Receivable stamp fee of Rs. 9,253,897 had not been recovered as at 31 December of the year under review	Recovery of court fee arrears should be intensified.	Action is being taken for recovery.

3. Operating Review

3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act, such as regularization and control of matters relating to

public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.

(a) Bye-Laws

----- Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Although bye-laws should have been enacted to accomplish 30 main points under section 126 of the Pradeshiya Sabha, bye-laws had not been enacted for 6 points as at 31 December of the year under review	Bye-laws should be enacted for the points which bye-laws have not been enacted	Bye-laws regarding three wheeler parking is being prepared.

(b) Sustainable Development Targets

----- Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Although the council was aware of the “UN Sustainable Development Agenda 2030”, the action Indicators for measuring goals and targets which were identified as applicable to the council were not identified.	The indicators for measuring the sustainable development objectives and targets should be identified and the progress in achieving the annual goals should be measured	Action will be taken accordingly.

3.2 Human Resource Management

----- Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) As at 31 December of the year under review, excess cadre relating to 06 positions had not been approved.	The excess cadre should be approved	Action is being taken for approval of the excess cadre
(b) As at 31 December of the year under review, 08 vacancies relating to 05	Action should be taken to fill the vacancies.	The Commissioner of Local Government has been notified regarding the vacancies

positions had not been filled.

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| (c) Rs. 26,920 which should be recovered from an officer who had vacated as at 31 December of the year under review, had not been recovered | Action should be taken according to the rules of the establishment code | Several times the relevant party has been informed by letters and proper action will be taken in future for recovery. |
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3.3 Management Inefficiencies

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
(a) Bye-laws to impose annual license fees for three wheelers had not been enacted and entered into the gazette. Although an annual fee of Rs. 600 for three wheeler parking should be charged in accordance with the decision of the Sabha, 97 three wheelers registered under the Pradeshiya Sabha had not been charged the fee. Due to that, the Sabha had lost a sum of Rs. 69,000.	Action should be taken to recover the arrears of revenue	The fee for 61 three wheelers out of the 97 have been recovered and the fees for the remaining 26 three wheelers are being recovered.
(b) Arrears of Rs. 12,260,251 which has been existing for more than a year had not been settled in the year under review.	Action should be taken to settle the arrears	The outstanding balances will be settled after obtaining funds

3.4 Assets Management

----- Non-performing assets -----

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
The shopping mall which had been constructed with a cost of Rs. 6,705,669 was unable to be capitalized due to not having a proper path.	----- Action should be taken to capitalize the non-performing assets.	----- Although requests have been made to a number of state ministries requesting for funds to construct a roadway to the shops, so far there has been no positive response.

4. Accountability and Good Governance

4.1 Implementation of Audit and Management Committee

Audit Observation	Recommendation	Comments of the Accounting Office
<p>-----</p> <p>Although an Audit and Management Committee should be established at least once in 04 months as per provisions in the Management Audit Circular No. DMA/2009 of 09 June 2009, no meetings had been held in the year under review</p>	<p>-----</p> <p>An internal audit should be carried out according to the circular instructions</p>	<p>-----</p> <p>Action will be taken to conduct an internal audit once in 04 months in 2019</p>