

Horowpothana Pradeshiya Sabha
Anuradhapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 26 June 2013 and the financial statements for the preceding year had been presented on 21 May 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 11 December 2013.

1.2 Opinion

In view of the comments and observations appearing in my report I do not express an opinion on the financial statements of the Horowpothana Pradeshiya Sabha for the year ended 31 December 2012 presented to audit.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a.) Provision had not been in the accounts for case charges amounting to Rs.75,000 payable for two Court cases under proceeding during the year under review.
- (b.) Library books valued at Rs.237,320 received from the Department of Local Government and the total cost of Rs.6,150,563 of 03 buildings constructed by the Sabha during the year under review had not been taken to the financial statements as fixed assets.
- (c.) The value of relevant fixed assets had been understated by Rs.1,192,255 and overstated by Rs.5,630,272 and the works creditors had been overstated by Rs.5,731,525 in presentation of financial statements for the year under review.

1.3.2 Unreconciled Accounts

Rates and taxes in arrears amounting to Rs.229,899 had been shown in the financial statements whereas the balance was Rs.215,875 as per subsidiary registers and a difference of Rs.14,024 was observed as at end of the year under review.

1.3.3 Lack of Evidence for Audit

Transactions totaling Rs.48,013,359 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

2. Financial and Operating 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 2012 amounted to Rs.882,218 as compared with the excess of revenue over recurrent expenditure amounting to Rs.80,070 for the preceding year.

2.2 Financial Control

The following deficiencies in financial control were observed.

- (a.) The summary of the revenue register (P.S.19) had not been prepared for the computation of the revenue for the year in terms of Rule No.163 of the Pradeshiya Sabha (Financial and Administrative) Rules-1988.
- (b.) Security deposits had not been kept by the officers having custody of money and stores or the officers carry out revenue related duties, in terms of Rule No.180 of the Pradeshiya Sabha (Financial and Administrative) Rules-1988.
- (c.) The certificate which should be given by the Officer-in-charge of the stores to the effect that the relevant goods are received with required quality as per the relevant agreement, had not been given in respect of purchases totaling Rs.882,102 made at 54 instances while making payment for supply of stores items.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue, actual revenue and the arrears of revenue relating to the year under review as presented by the Chairman is given below.

Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	1,150	389	991
(ii.) Lease Rent	3,446	1,813	3,635
(iii.) Licence Fees	2,130	462	2,738
(iv.) Other Revenue	10,348	6,566	3,782

2.3.2 Lease Rent

- (a.) Action had not been taken in terms of Section 159(i) of the Pradeshiya Sabha Act No.15 of 1987 to recover stall rent in arrears amounting to Rs.905,430 due from 21 stalls owned by the Sabha.
- (b.) The Sabha had deprived of an income of Rs.409,433 due to action not been taken to lease 04 business locations owned by the Sabha during the year under review.
- (c.) Although the stalls owned by the Sabha should be assessed at least once in 05 years and the lease rent should be revised accordingly in terms of Circular No.NCP/PL/4/7/19 dated 04 August 1994 of the Commissioner of Local Government; it had not been acted accordingly.

2.3.3 Other Revenue

Action had not been taken in terms of Section 159(i) of the Pradeshiya Sabha Act No.15 of 1987 to recover revenue in arrears amounting to Rs.3,781,701 relating to 04 items of revenue.

2.3.4 Business Tax

Charges recover from businesses had not been revised in terms of Section 149 of the Pradeshiya Sabha Act No.15 of 1987.

2.3.5 Court Fines and Stamp fees

Money receivable as at 31 December 2012 from the Chief Secretary of the Provincial Council and other authorities are shown below.

	Rs.
(i.) Court Fines	82,469
(ii.) Stamp Fees	640,700

2.4 Idle and Underutilized Physical Resources

The rice flour related bakery products package valued at Rs.1,064,000. 02 hand tractors and 02 Cabs received in 2008 from the Chief Ministry of the North Central Province had been idling without being used.

2.5 Transactions Not Supported by Adequate Authority

The approval of the Minister in charge of the subject had not been obtained for expenditure totaling to Rs.78,380 incurred for public receptions in terms of Section 132(J) of the Pradeshiya Sabha Act No.15 of 1987.

2.6 Irregular Transactions

The Cab owned by the Sabha had been repaired at an expense of Rs.327,950 during the year 2011 and it had not been in good running condition even before one year since the repairs and the defects could not be rectified as a guarantee certificate had not been obtained and the vehicle had not been used and a sum of Rs.312,400 had been paid during the year under review for a hired vehicle.

2.7 Operating Inefficiencies

The following observations are made.

- (a.) A corporate plan including the plans relating to the activities in future years and an action plan for implementing the expected activities had not been prepared and implemented.
- (b.) Action had not been taken to recover employees loans totaling Rs.79,526 older than 10 years due from 10 employees, transferred, left the service and retired, after serving the Sabha.
- (c.) Staff had been recruited for 13 posts without following the provisions of Section 19(1)(i) of the Pradeshiya Sabha Act No.15 of 1987 and salaries amounting to Rs.1,522,576 had been paid from the Sabha fund.
- (d.) Action had not been taken to settle the balances payable totaling Rs.804,469 for over 03 years.
- (e.) Action had not been taken to recover the debtor balances amounting to Rs.116,033 due for over a long period.

2.8 Legal Incidents Initiated Against the Institution

- (a.) The Sabha was liable to pay legal interest amounting to Rs.325,121 on a judgment of a case filed in courts against the Sabha by an outside institution due to the failure to make payments by the Sabha in relating to a project.
- (b.) An outside person had filed a case against the Sabha demanding a compensation of Rs.401,700 due to non-refunding of deposits obtained from the above person in terms of the agreements.

2.9 Solid Waste Management

The Pradeshiya Sabha had not implemented an environmental friendly waste management system during the year under review.

3. Systems and Controls

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

- (a.) Accounting
- (b.) Internal Control
- (c.) Revenue Administration
- (d.) Assets Management
- (e.) Contract Administration