

Hanguranketha Pradeshiya Sabha - 2013

Nuwaraeliya District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 31 March 2014 while Financial Statements relating to the preceding year had been submitted on 31 March 2013. The Auditor General's Report relating to the year under review was sent to the chairman on 21 October 2014.

1.2 Disclaimer of Opinion

Because of the significance of matters described in paragraph 1.3 of this report, it was unable for me to get a basis of adequate and suitable evidence. Due to that, I do not express an opinion on these financial statements.

1.3 Comments on Financial Statements

1.3.1 Non-compliance with Public Sector Accounting Standards

Financial statements submitted by the Pradeshiya Sabha for the year under review had not been prepared in conformity with Public Sector Accounting Standards.

1.3.2 Accounting Deficiencies

Following matters are observed.

- (a.) The balance of the loan obtained from the Local Loans and Development Fund as at 31 December 2013 amounting to Rs.15,660,211 had been shown as Rs.14,810,968 in the financial statements. Due to that, Loan Capital had been understated in a sum of Rs.849,243 in the financial statements.
- (b.) A balance of Works Creditors amounting to Rs.121,102 and a balance of Sundry Creditors amounting to Rs.83,587 payable as at 31 December of the year under review had been omitted in the in the financial statements.
- (c.) The total of Rs. 695,289 in the ledger account relevant to Capital Expenditure Item 109 had been shown as Rs. 860,289 in the financial statements. Due to that, the Capital Expenditure for the year had been overstated in a sum of Rs.165,000.
- (d.) The Value of 213 Waste Bins amounting to Rs.96,579 received as a donation during the year under review and kept in the stores had been omitted from donations.
- (e.) According to the Bank Reconciliation Statement prepared as at 31 December of the year under review, receipts totalling Rs.165,281 and expenditure amounting to Rs.15,500 had not been accounted having identified. Due to that, Revenue and Expenditure for the year under review and the Cash Book Balance as at 31 December had been understated to that extent.

- (f.) Un-identified difference of Rs.25,574 shown in the Bank Reconciliation Statement as at 31 December 2008 had not been settled even as at 31 December of the year under review.
- (g.) Net Revenue of Rs. 51,900 received for the Nenasala Course had been shown as Rs.45,357 in the financial statements. Due to that, revenue had been understated in a sum Rs.6,543 in the financial statements.
- (h.) Provision had not been made for the Audit Fees relevant to the year 2013.
- (i.) Value of 44 Non-current Assets belong to the Sabha had not been assessed and accounted as Non-current Assets at the end of the year under review.

1.3.3 Non-reconciled Control Accounts

A difference of Rs.935,113 was observed when the total of balances in the control accounts relevant to 02 items of accounts amounting to Rs.4,129,391 was compared with the total of relevant Subsidiary Registers amounting to Rs.3,194,278.

1.3.4 Accounts Receivable

The total of balances of two accounts that had exceeded more than a period of 01 year as at 31 December 2013 amounted to Rs.14,154,565.

1.3.5 Accounts Payable

The value of balances of three accounts that had exceeded more than a period of 01 year as at 31 December 2013 amounted to Rs. 9,753,606.

1.3.6 Lack of evidence for audit

Account Balances amounting to Rs.94,890,328 shown in the financial statements as at 31 December could not be accepted satisfactorily in audit due to non-submission of required information.

1.3.7 Non-compliance with Laws, Rules, Regulations etc.

Following non-compliances with Laws, Rules, Regulations and Management Decisions were observed in audit.

Reference to Laws, Rules, Regulations and Management Decisions

- (a) Clauses 1.6 and 04 in Chapter XXIV of the Establishments Code of the Republic of Sri Lanka.

Non-compliance

Action had not been taken to recover loan balances totalling Rs. 170,092 remained unrecovered from 12 employees who were in service of the Sabha and left on transfers, vacated service and deceased.

(b) Section 12(1) of the Housing and Urban Development Ordinance

Action had not been taken to inspect and stop or to take legal action in order to recover revenue receivable to the Sabha with regard to unauthorized constructions in the area of authority of the Pradeshiya Sabha.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2013 amounted to Rs.3,390,754 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.4,426,613.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

Information furnished by the Chairman relating to Estimated Revenue, Actual Revenue and Arrears of Revenue is shown below.

Revenue Item	Arrears as at 01.01.2013	Recovery Out of arrears as at 01.01.2013	Billings during the year 2013	Recoveries out of billings during the year	Out of Arrears as at 01.01.2013	Arrears as at 31 December 2013	
						Out of billings during the year	Total Arrears
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates		363,158	1,184,182	537,630		646,552	1,019,921
Lease	736,527	315,630	1,936,652	956,108	373,369		1,761,998
Rent		--	1,345,040	1,358,790		980,544	13,750
License	1,097,084	616,040	2,150,594		781,454		687,728
Fees	---			1,738,218	--	13,750	
Others	891,392				275,352	412,376	

2.2.2 Rates

Although there was a sum of Rs. 1,019,921 as Rates to be recovered as at 31 December 2013, action in terms of Rule 33 of the Pradeshiya Sabha Rules (Financial and Administrative) of 1988 had not been taken.

2.2.3 Lease Rent

While a sum of Rs.663,692 was recoverable as at 31 December 2013 for the lease of 06 stalls and lower and upper floors of the weekly fair building belong to the Sabha, a sum of Rs.76,540 too was outstanding from 07 stalls in Rikillagaskada and Hewaheta towns.

2.2.4 Lease Rent

Although a survey should be conducted at the commencement of each year and all trading businesses should be included in the Register of Licenses by the Sabha in terms of Rule 59 of the Pradeshiya Sabha (Financial and Administrative) Rules of 1988, according to a sample check carried out, in the year 2013 license fees had not been recovered from 46 business entities.

2.2.5 Water Charges

Water Charges in arrear as at 31 December 2013 amounted to Rs.755,679. A proper methodology had not been followed for the recovery of Water Charges from the consumers.

2.2.6 Court Fines and Stamp Fees

Stamp Fees amounting to Rs.3,758,336 and Court Fines amounting to Rs.480,750 as at 31 December 2013 were due to be recovered from the Chief Secretary to the Provincial Council and other authorities.

2.2.7 Publicity Advertisements Charges

Although Publicity Advertisements Charges at the rate of Rs. 65 per square foot should be recovered in terms of the powers in Sections 22 (a) and 122 – 126 of the Pradeshiya Sabha Act No. 15 of 1987 and provisions in paragraph 39 of by-law IV(a) in the Gazette 520/7 dated 23 August 1988, action had not been taken to recover a sum of Rs. 91,148 from 09 publicity advertisements boards displayed in the Rikillagaskada Town.

2.2.8 Other Revenue

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- (a.) Although 03 small scale Hydro Power Stations and 06 Telecommunication Towers had been constructed in the area of authority of the Sabha, action had not been taken to regulate those and recover License Fees after imposing proper by-laws.
 - (b.) While the plan and the basis of revenue recovered relating to properties given on lease or otherwise during the Esala Mela Season and reports connected with revenue recovered were not furnished to audit, the revenue had not been properly recovered as agreed for providing the properties of the Sabha for the Esala Mela Carnival. Due to that, a revenue of Rs. 39,150 had been lost.
 - (c.) A revenue of Rs. 508,800 receivable from 424 three wheelers registered during the year 2012 had been lost due to non-obtaining parking permits in terms of by-laws of the Sabha dated 06 October 2011. Action had not been taken to register new three wheeler vehicles for the year under review as well.

2.2.9 Fair Taxes

The tender for Rs.680,000 in leasing out the Hewaheta Rahatungala Fair for the year 2013 had been rejected as the first tenderer had been a government servant, and the tender had not been awarded to the person who submitted the second highest tender of Rs.677,000. Tenders had been called for again on 12 March 2013 and at that time tender had not been awarded to the person who submitted the highest tender of Rs.575,000 and the tender had been awarded to the person who offered the sum of Rs. 524,000.

3. Operating Review

3.1 Performance Evaluation

Progress Reports and Management Reports indicating physical and financial performance had not been prepared in order to ensure compliance with the Annual Action Plan.

3.2 Management Inefficiencies

- (a.) Although there was possibility of earning revenue by leasing out the stalls belong to the Sabha, 05 stalls belong to the Sabha had been kept closed. The Sub-office at Gonagantenna had been abandoned without being used for any work.
- (b.) While action had not been taken to vest the land where the public market building had been constructed in the Hanguranketha Town, it was observed that stalls in this building are occupied by unauthorized persons over long period of years without entering into any agreement.

3.3 Operational Inefficiencies

- (a.) Water bowser of the Sabha had been parked Sabha ground opened for natural disasters without being used for any purpose.
- (b.) Five water tanks of 1000 liters capacity belong to the Sabha had been improperly provided to outside parties without being used in the Sabha.

3.4 Solid Waste Management

Following matters are observed.

- (c.) Although 02 Solid Waste Management Centers had been constructed having spent a sum of Rs.6,645,626 for Solid Waste Management, these two centers had not been used for any purpose or for production of fertilizer during the year 2013.
- (d.) While 225 garbage bins had been received from the Commissioner of Local Government, instructions had been given for the distribution of bins vide Letter No.4/4/450-11 dated 22 October 2013 of the Commissioner of Local Government. While issue of bins had not been done properly, particulars of revenue received too were not submitted to audit. Although it had been stated in paragraph 06 of the above mentioned letter that the revolving fund to be created out of cash received in

distribution of the bins could be utilized to provide bins to the other houses as well, that project too had not been implemented.

4. Accountability and Good Governance

4.1 Budgetary Control

According to the Budget prepared for the year under review, when estimated revenue and expenditure compared with the actual revenue and expenditure, variations in a range from 12 to 97 percent in 07 items of revenue and 08 to 57 percent in 08 items of expenditure were observed. Therefore the Budget had not been made use of as an effective tool of management.

5. Systems and Controls

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

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