

Hinguraggoda Pradeshiya Sabah

Polonnaruwa District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 04 April 2016 while Financial Statements relating to the preceding year had been submitted on 01 April 2015. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 23 August 2016.

1.2 Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Hinguraggoda Pradeshiya Sabha as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following accounting deficiencies are observed.

- (a) Although lands and 29 houses belong to those had been recorded in the Register of Fixed Assets, value of those had not been assessed and included in the financial statements.
- (b) Although 5 Centric Motors of 5 Water Schemes and Bio Gas Producing Set had been recorded in the Register of Fixed Assets, value of those had not been assessed and included in the financial statements.
- (c) Value of a Tractor, 27 Sets of Machinery and Equipment, two Plastic Tables and a Clerical Table purchased at a value of Rs. 350,430 had not been taken to the financial statements.
- (d) The payment of loan installments and interest under three loans obtained from the Local Loans and Development Fund had been defaulted by the Sabha, in that the lending establishment had re-scheduled the loan payable and disclosed the amount due to the establishment as Rs. 49,018,430 at the end of the year under review. However, according to the financial statement of the Sabha, that liability had been shown as Rs. 31,127,842, understating the current liabilities by Rs. 17,890,588.

1.3.2 Accounting Policies

Notes containing a summary of important Accounting Policies followed by the Sabha had not been disclosed with the financial statements.

1.3.2 Non-compliances with Laws, Rules, Regulations etc.

Following non-compliances with laws, rules, regulations etc. were observed in audit.

Reference to Laws, Rules and Regulations	Non-compliance
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(a) Pradeshiya Sabha Act No. 15 of 1987 ----- Sections 150(1), (152(1) and 153(1)	Lists of Industries, Trading Businesses Professions and Lands not developed had not been prepared and submitted to the Secretary on or before 31March of the year.
(b) Pradeshiya Sabha (Financial and Administrative) Rules Code of 1988 ----- Rule 218	Although all lands and buildings belong to the Sabha should be surveyed annually, such a survey had not been carried out for any year by the Sabha.
(c) Establishments Code of the Democratic Socialist Republic of Sri Lanka -----	
(i) Clause 4 in Chapter xxiv	A sum of Rs. 302,394 was due to be recovered from 20 retired, deceased officers since a period between 15 and 25 years.
(ii) Sub-Clause 4.5 in Chapter xxiv	Action had not been taken to recover the sum of Rs. 183,645 due to be recovered from 16 officers who had vacated service during the period from the year 1980 to the year 2008.

(d) Circulars

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| (i) Paragraphs 3.1 and 3.2 in Local Government Reforms Circular No. 08 dated 08 November 2005 of the Secretary to the Ministry of Provincial Councils and Local Government. | Action had not been taken to survey 93 lands belong to the Sabha and get the lands and buildings there transferred legally in favor of the Sabha. |
| (ii) Paragraphs 4 in Provincial Treasury Circular No.NCP/2002/11 dated 09 December 2002 | Action had not been taken to get settled loan balances amounting to of the North Central Province Chief Secretary Rs. 331,016 due from 19 officers who had left on transfers as at 31 December 2015. |
| (iii) Circular No.1980/46 dated 31 December 1980 of the Commissioner of Local Government | Although Stalls Rent should be revised at least once in 5 years and rent should be recovered accordingly, rent had been recovered improperly, without action being taken accordingly. |

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure for the year ended 31 December 2015 amounted to Rs. 689,653 as compared with the corresponding excess of revenue over recurrent expenditure revenue for the preceding year amounted to Rs. 5,289,651.

2.2 Revenue Administration

2.2.1 Rates

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- (a) Any action had not been taken by the Sabha to recover Rates amounting to Rs. 362,953 due from government institutions as at 31 December of the year under review.
- (b) While Rates in arrears to be recovered from 149 Rate Payers amounting to Rs. 802,291 had been in arrears during a period from 3 to 10 years, adequate action had not been taken by the Sabha to recover those amounts.

2.2.2 Other Revenue

- (a) Any course of action had not been taken by the Sabha to recover Water Charges in arrears since a period between 1 and 3 years amounting to Rs. . 294,597 due from 7 water schemes belong to the Sabha.
- (b) While a sum of Rs.243,442 relevant to human waste drainage systems was outstanding to be recovered as at the end of the year under review, out of that a sum of Rs. 175,290 relevant to 26 residential homes remained unrecovered during a period from 2 to 3 years.
- (c) Action had not been to recover rent in arrears amounting to Rs. 618,023 due from 40 stalls for more than 06 months including rent according to new assessment from May 2015 and arrears of rent for the preceding month.
- (d) While a sum of Rs. 447,110 was outstanding to be recovered at the end of the year under review from 06 vehicles utilized for these revenue earning functions, any course of action had not been taken to recover that amount.
- (e) While Tender Lease Rent receivable amounting to Rs. 3,465,325 due to be received from 16 Lawyers' offices constructed in the Hinguraggoda Magistrate Courts Ground had been in arrears since a period exceeding 2 years, action had not been taken to recover that amount.
- (f) Action had not been taken to recover the sum of Rs. 192,000 due to be recovered for the years 2014 and 2015 from the 16 stall rooms used by the lawyers.
- (g) Although the rent of 80 stalls belong to the Sabha had been fixed by the Valuation Department during the year 2014/15 and given to the Sabha, payment of that rent had been refused by the stall holders. Due to that, stalls rent revenue amounting to Rs. 67,225 per month had been lost to the Sabha.

3. Operational Review

3.1 Management Inefficiencies

- (a) While 624 Galvanized Pipes provided to the Sabha from the Ministry of Provincial Councils and Local Government for public utilities, during November 2014, out of that 256 pipes had been improperly provided to the Elahera Pradehiya Sabha, another 108 pipes had been taken away by the Pradehiya Sabha Members. The Sabha had not taken action to get back those pipes.

- (b) While the Lap Top Computer purchased during June 2010 having spent a sum of Rs. 76,000 out of Sabha Fund had been taken away for private use by the Chairman who functioned as the Chairman of the Sabha during the period from 2010 to 2014, any course of action had not been taken to get it back.
- (c) While an Equipment Set for making Rice Flour Associated Products had been provided to an outside party without an agreement during the year 2009, action had not been taken to recover the hire charge instalments in arrears amounting to about Rs. 21,500 and to get the relevant machine back to the Sabha.
- (d) While the finger marks recording machine used for recording time of arrival and departure of officers had been defunct during a number of years, officers responsible had not paid any attention to purchase a new machine or to repair the existing machine.
- (e) While the time of departure in the officers' Register of Attendance had been altered irregularly in number of times, any course of action had not been taken by the management to avoid such situations prevailing continuously.

3.2 Environmental Problems

- (a) While garbage getting accumulated daily in the area of authority of the Sabha are dumped openly to a land in extent of about 7 acres situated in Rotawewa Grama Niladhari Division, it was observed that there was a very bad smell in the whole area and that polithine and plastic wastes had been spread all over the area and that a large environmental damage is taking place.
- (b) While human wastes are released continuously to the Galoya Reservation in Habarana Zone using the Gully Bowser of the Hinguraggoda Pradeshiya Sabha since the year 2011, a permit had not been obtained from the Forest Conservation Department for that. Although a written permission had been obtained from the District Forest Office for the year 2016, it was observed that there was more room for environmental problems as human wastes are dropped into an open land.

3.3. Human Resources Management

- (a) While 02 posts of Revenue Overseers belong to secondary salary group and 04 posts belong to preliminary salary group are vacant, 11 persons of preliminary level are engaged in service in excess of the approved cadre. A sum of Rs.4,370,388 had been paid as their salaries and allowances during the year under review.

- (b) While 23 persons had been recruited to the Sabha on casual and contract basis during the years 2014 and 2015, without approval of the Commissioner of Local Government, a sum of Rs. 6,033,718 had been paid as salaries and allowances during the year under review on behalf of them as well.

04 Good Governance and Accountability

4.1 Action Plan

An Action Plan including activities aiming at achievement of objectives mentioned in the Pradeshiya Sabha Act with a long term vision in terms of paragraph 04 of the Public Finance Circular No. 01/2014 dated 17 February 2014 had not been prepared for the year under review.

4.2 Internal Audit

Although it has been stated that an Internal Audit Officer was appointed in terms of Circular No. 04/2015 dated 18 March 2015 of the Central Province Commissioner of Local Government, internal audit reports were not submitted. well.

4.3 Audit and management Committees

Action had not been taken to establish an Audit and management Committee and implement.

4.4 Assets Management

Idle and Under-utilized Assets

It was observed that the Mitsubishi Cab Vehicle, Ford Tractor and the four wheeled Tractor had been parked in the office premises exposed to natural disasters and getting destroyed during a period more than 5 years.

5. Systems and Controls

Special attention is needed in the following areas of controls.

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