

Hingurakgoda Pradesiya Sabhawa

Polonnaruwa District

1 Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year under review had been presented to audit on 11 April 2017 and the Financial Statements for the preceding year had been presented on 04 April 2016. The report of the Auditor General for the year under review was issued to the Secretary of Sabha on 28 June 2017.

1.2.1 Qualified Opinion

In my opinion, except for the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial performance of the Hingurakgoda Pradeshiya Sabha as at 31 December 2016, 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 observations of accounting deficiencies are made.

- (a) Three fixed assets valued to Rs.1,480,914 had not been accounted.
- (b) Value of the fixed assets of 47 stalls, 9 houses and 7 water projects had not been recognized and accounted.
- (c) Due rent for the land belongs to the Railway Department in which the Hingurakgoda Sunday Fair is held, had been less accounted by Rs.2,925,557 and the provisions for rent for the year under review had not been done.
- (d) There was a value difference between the financial statements and the ledger accounts by Rs.355,977 in two asset items on 31 December of the year under review.
- (e) The expenditure of Rs.583,229 incurred for the developing Jayanthipura Play Ground had not been capitalized.
- (f) According to the Statement of Financial Position of the year under review, the value of the receivables were Rs. 62,436,794, and as the notes to the accounts that amount had been Rs 49,856,201, hence a difference of Rs. 12,580,593 was observed.

1.3.2 Lack of Evidence for Audit

On 31 December of the year under review, five categories of assets totaling Rs. 435,742,983, could not be satisfactorily vouched in audit due to the non-submission of the documents relating to the ownership, survey reports and subsidiary records.

1.3.3 Non-compliance to the Rules, Regulations and Management Decisions

Noncompliance to the following rules, regulations and management decisions were observed.	
Reference to the Rules , Regulations and Management Decisions	Non compliance

(a) Financial Regulations of Democratic Socialist Republic of Sri Lanka.	

F.R.571,572	Actions had not been taken to release deposits amounting to Rs. 1,143,824 for which had been elapsed time period of 2 to 7 years
(b) Pradeshiya Sabha (Financial & administrative) Rules 1988	

(i) Rule No. 19	Ten counter foiled books issued during 2010 to 2016 had not been returned even at the end of April 2017.
(ii) Rule No.59 to 63	Actions had not been taken to do a survey in the Sabha area to identify a list of traders and enterprises to charge the due tax.
(iii) Rule No.203,204 and 218	Overall survey of Sabha property had not been done.
(c) Circulars and circular letters	

Circular No.NCP/PL/4/2/10/1/92 dated on 29 January 1995 by Commissioner of Local Government- North Central Province	Actions had not been taken to get security deposits from the local government service officers who had entrusted with the custody of money or stores or whose duties had connected with the recovery of revenue, on the nature and value of their duty.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of recurrent revenue over recurrent expenditure of the Sabha for the year ended 31 December 2016 amounted to Rs. 16,564,229 as compared with the excess of revenue over expenditure amounting to Rs 689,653 for the preceding year.

2.2 Performance of Revenue Collection

2.2.1 Tax and Rates

The actual income collected in the year had been Rs 1,741,956 which was 38 percent of the due income of Rs.4,503,738, totaled by the receivable at the beginning of the year Rs.2,341,535 and the billed Rs.2,162,203 in the year.

2.2.2 Leas Rent

The actual leas rent income in the year was only Rs. 1,732,604 which was 51 percent of the billed amount of Rs 3,389,267.

2.2.3 Other Income

The collected income in the year had been Rs.578,946 which was 6 percent of the operating income of Rs.9,280,169, totaled by the receivable at the beginning of the year Rs.7,501,738, and the billed income in the year Rs.1,778,431.

3. Operating Review

3.1 Performance

Sixteen projects planned in the 2016 budget providing Rs.3,750,000 allocations had not been implemented.

3.2 Management Inefficiencies

- (a) The settlement of rent had not been done continuously during the last period of time and the arrears rent on 31 December 2015 was Rs.3,762,617 for the land in which the Hingurakgoda Sunday Fair had been held which belongs to the Department of Railway, and the amount had to be paid on 31 December 2016 had not been identified.
- (b) Due attention of the responsible officers had not been paid to take over two quarters buildings belonging to the Hingurakgoda Pradeshiya Sabha, from the residents who try claim their ownerships.

3.3 Idle and underutilized Physical Resources

Actions had not been taken to repair or discharge a tractor, a bacholorder lorry and a double cab not in running condition.

3.4 Transactions in Contentious nature

The responsible officers were unable to present 326 Flag Pillars valued to Rs. 360,928 and one Laptop Computer valued to Rs.76,000 for audit.

3.5 Identified Losses

- (a) A loss of Rs.3, 156,000 had been occurred due to charging the rent for stalls on the rates of Valuation year 2003, neglecting the prevailing year Valuation.
- (b) Actions had not been taken to get the ownership and, charge the arrears tender money Rs.3, 465,325 and arrears monthly rent Rs. 432,000, of the lawyers office complex built by Hingurakgoda Pradeshiya Sabha on the land of Higurakgoda Magistrate Court.

3.6 Solid Waste Management

- (a) Actions had not been taken to implement a Waste Management Program on the daily collection of 6 -7 MT solid wastes.
- (b) Attention had not been paid on Solid Waste Management by the Action Plan of 2016 and construction of Solid Waste Management Building had not started according to the 2017 Action Plan .

4 Systems and Controls

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

- (a) Fixed Assets Control.
- (b) Accounting
- (c) Revenue Administration
- (d) Debtors / Creditors Control
- (e) Internal Audit
- (f) Solid Waste Management.