

Hingurakgoda Pradeshiya Sabha  
Polonnaruwa District  
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1. Financial Statements  
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Presentation of financial Statements  
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The Financial Statements for 2017 had been presented to audit on 20<sup>th</sup> March 2018 and the report of the Auditor General was issued to Chairman on 19<sup>th</sup> September 2018.

1.2 Qualified Opinion  
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In my opinion, except for the effects 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 Hingurakgoda Pradeshiya Sabha as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements  
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1.3.1 Accounting Policies  
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Advance Accounting system had not been followed for the stores items.

1.3.2 Accounting Deficiencies  
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Following Observations are done.

- (a) The value of library books had been less accounted in Rs. 143,010 due to the books received from Local Government Department valued to Rs.99,918 had not been accounted and the books purchased by the Sabha valued to Rs. 195,219 had been accounted as Rs. 152,127
- (b) A sum of Rs. 41,942,721 had not been capitalized which spent to expand the Jayanthipura library building and Pulathisigama pre-school building respectively Rs. 487,807 and Rs. 793,640 and the amount value of Rs.40,661,274 less accounted on the value of Rs. 58,405,927 for the shopping complex at Hingurakgoda bus stand.
- (c) An amount of Rs. 1,226,727 current liabilities had been over stated in the statement of financial status as same amount had been taken in to account under 2 subject codes in current liabilities for several years with account of “deposits on behalf of income”
- (d) A sum of Rs. 9,777,242 that should have been settled had not been accounted under creditors of the construction of trade complex at the bus stand under North Eastern Local Government Service Improvement project. (NELSIP)
- (e) The value of the surplus had been over stated due to capital expenditure of Rs. 567,565 under general administration had not been taken to the financial statements.
- (f) Audit fees for the year under review had not been allocated.
- (g) The value of two boats and one water bowser received as donation to the Sabha had not been identified and accounted.

### 1.3.3 Accounts Receivable and Payable

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The following facts were observed.

- (a) Actions had not been taken to recover Rs. 3,633,582 to commissioner of Inland Revenue since about 10 years time.
- (b) Actions had not been taken to recover advance balance on contract Rs. 4,540,522 and advance balance for ad hoc Rs. 2,184,642 bringing forward since several years.

### 1.3.4 Lack of written evidence provided for audit

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Ten accounts subjects in the financial statements totaling to Rs. 471,661,972 could not be satisfactorily inspected in audit due to non submission of information.

### 1.3.5 Non-Compliances

#### 1.3.5.1 Non-compliance with laws, rules and regulations and management decisions.

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The following non-compliances were observed.

|      | Reference to the rules, regulations<br>and management decisions | value     | Non-compliances   |
|------|---|-----------|---|
|      | -----   | -----     | -----   |
|      |   | Rs.       |   |
| (a)  | Pradeshiya Sabha act no 15 of 1987                              |           |   |
|      | -----   |           |   |
| (i)  | Section 24  | -         | Publishing a name register about roads and lanes maintained by the Pradeshiya Sabha marking permanent signs, boundaries and preparing plans had not been done             |
| (ii) | Section 158   | 2,594,115 | Actions had not been taken to recover the rates in arrears.   |
| (b)  | Pradeshiya Sabha (financial and administrative) Rules 1988      |           |   |
|      | -----   |           |   |
| (i)  | Rule no 33  | -         | Warrants had not been prepared to sequester against the default persons by preparing a list at the end of each quarter.   |
| (ii) | Rule no 59 to 63  |           | Notices had not been sent informing to pay the tax for trade enterprises through preparing a list by doing a survey within the Sabha area at the beginning of every year. |

|       |   |           |   |
|-------|---|-----------|---|
| (iii) | Rule No 127   | 3,209,789 | Actions had not been taken to get the absolute approval by the Sabha for 13 supplementary allocations.  |
| (iv)  | Rule no 154   |           | The forms according to P.S.9 had not been maintained at the head office regarding the accounts of collections in sub offices.   |
| (v)   | Rule no 180   |           | Security deposits had not been taken from the officers who were entrusted with the custody of money or stores or whose duties were involved in the recovery of revenue. |
| (vi)  | Rule no 188-190   |           | A survey of goods had not been done since the survey conducted in 2014  |
| (vii) | Rule no 218   |           | Actions had not been taken to do a survey on all the lands and buildings belonging to sabha on the year under review and the past years.                                |
| (c)   | Establishment Code of the Democratic Republic of Sri Lanka<br>----- |           |   |
| (i)   | Section 7 of chapter xix  |           | Actions had not been taken regarding 05 officers who had been lost the entitlement to have a government house due to transfer or pension.                               |

## 02. Financial Review

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### 2.1 Financial result

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According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31<sup>st</sup> December 2017 amounted to Rs. 8,816,876 as compared with the excess of revenue over expenditure amounting to Rs. 16,564,229 for the preceding year.

## 2.2 Financial Control

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- (a) Two state bank accounts having a balance of Rs. 114,168 had been inactive for 03 and 06 years.
- (b) A house belong to the Sabha had been given for a government office without a rent or agreement. Earlier this house had been given to ministry for maintain a regional office without a rent and although the areas power bill of Rs. 102,982 and water bill Rs. 28,233 had been paid by the Sabha fund in September 2016 and actions had not been taken to recover that money from the relevant institution.
- (c)(i) Although balance of the current account maintains at Jayanthipura bank 31<sup>st</sup> December 2017 was Rs. 196,023 and the balance shown in the bank reconciliation statement was Rs. 229,403. Actions had not been taken to settle this long time remaining difference by the Sabha.
- (ii) Actions had not been taken to identify and settle the amount of Rs. 64,291 mentioned as cash in hand in the bank reconciliation statement since 2007 which does not have a physical balance.
- (iii) Actions had not been taken to identify the reason for not realizing the cheques valued to Rs. 51,490 in the bank reconciliation statement coming forward since 31<sup>st</sup> December 2002 as the cheques deposited but not realized.

## 2.3 Revenue Administration

### 2.3.1 Estimated income, billed income, collected Income and arrears Income

| Income source | 2017             |               |                  |                             | 2016             |               |                  |                             |
|---------------|------------------|---------------|------------------|-----------------------------|------------------|---------------|------------------|-----------------------------|
|               | Estimated Income | Billed income | Collected income | Areas Income on 31 December | Estimated Income | Billed income | Collected income | Areas income on 31 December |
|               | ₹.               | ₹.            | ₹.               | ₹.                          | ₹.               | ₹.            | ₹.               | ₹.                          |
| Tax and rates | 14,566,870       | 3,362,238     | 3,115,160        | 3,101,407                   | 18,374,659       | 2,888,330     | 2,781,981        | 3,152,151                   |
| rent          | 3,494,480        | 11,861,800    | 6,777,897        | 11,521,830                  | 3,732,300        | 6,449,699     | 3,292,339        | 3,818,657                   |
| Other income  | 18,686,100       | 18,223,421    | 11,471,980       | 55,718,187                  | 19,351,720       | 82,882,199    | 9,732,093        | 4,0674,092                  |
|               | 36,747,450       | 33,447,459    | 21,365,037       | 70,341,424                  | 41,458,679       | 92,220,228    | 15,806,413       | 47,644,900                  |
|               | =====            | =====         | =====            | =====                       | =====            | =====         | =====            | =====                       |

### 2.3.2 Performance of the income collection

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Although the Sabha had estimated an income of Rs. 36,747,450 for the year under review the actual income collected was Rs. 21,365,037. The arrears income at the end of the year under review had been Rs. 70,341,424 and it had been grown up from 47.6 percent in relatively to the preceding year.

### 2.3.3 Tax and Rates

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Following facts were observed.

- (a) The sabha had been deprived of a big income due to the income collection had been done on the base of the year 2005 assessment.
- (b) The approval of the minister had not been taken for the implementation of year 2005 tax and rates assessment.
- (c) Entertainment levy Rs. 112,208 had been collected without gazette the tax rate.
- (d) By laws had not been implemented on water charges and garbage levy.

### 2.3.4 Rent

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Following facts were observed.

- (a) The rent had not been charged from 02 shop rooms in the building at first cross street mentioning those were dilapidated.
- (b) Actions had not been taken to update the agreements made with the hiring personals, and the hiring personal were earning a bigger income than the present assessment income from 82 shop rooms belonging to Sabha.
- (c) The actions taking to seal the shops where the rent were in arrears, had been stopped due to a letter forwarded by the hiring personal mentioning false facts about the rent in arrears at the District Development Committee meeting held on 14<sup>th</sup> August 2017.
- (d) Necessary actions had not been taken on the occasions where the agreements on the rent of shops was violated.

### 2.3.5 Other Income

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By laws had not been imposed on display of advertisements and gazette notifications had not been done on the charges to be recovered. But there were displaying many advertisement boards in the Sabha territory area and surveying, registering and taking actions to recover due charges had not been done by the revenue inspectors..

## 03. Operating Review

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### 3.1 Performance

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The facts observed are mentioned bellow about the performance of activities which should have done by the Sabha such that regulating and controlling public health, common utility services and the matters of common roads, succession of people, convenience and welfare under the section 3 of Pradeshiya Sabha act

- (a) Seventeen projects which had been allocated by the budget in the year under review valued to Rs. 5,025,000 had not been implemented.

## (b) By laws

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Although there are 27 main factors for enacting by laws under the section 126 of Pradeshiya sabha act, 19 by laws had been enacted and imposed on 31<sup>st</sup> December 2017 and for 08 factors by laws had to be prepared.

## (c) Action Plan

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An action plan had not been prepared to accomplish 27 activities of the sabha.

## (d) Solid waste management

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The following factors were observed.

- (i) Garbage had been put to the Rotawewa forest reserve without permission and there was a risk of fire in the forest due to the solid waste pile in ablaze in the forest reserved.
- (ii) The solid waste with politheen is eaten by the wild animals including elephants and it is a threat for their lives.
- (iii) There was a threat of adding water mixed with garbage during the rainy season in to the drinking water sources.
- (iv) Actions had not been taken on the complaints made by various parts about non –collection of garbage.
- (v) The garbage had been discharged without sorting and recycling while no action had been taken against the people who give garbage without sorting although they had been made aware of garbage classification.

## (e) Sustainable Development Goals

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- (i) Even though Sabha had been aware of sustainable development goals declared by the United Nations Organization, it had not correctly identified the goals relevant to Sabha.
- (ii) There was not a method in Sabha to collect data for indices according to the Budget Department circular number BD/CBD/4/1/2/2018 – dated 31<sup>st</sup> July 2017.
- (iii) There was no method of collecting data for indices due to non identification of turning points to regulate activities in achieving development goals.
- (iv) The Sabha had not recognized the required financial allocations for achieving the sustainable development goals during the year 2016 and 2017.
- (v) There had not been a method of trained the staff of the institute to achieve the sustainable development goals and other institutions had not been identified to combine with in achieving the goals.

## (f) Environmental Problems

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The sewage removal had not been carried out due to non availability of a proper place since 26<sup>th</sup> October 2016 up to 6<sup>th</sup> February 2018. A systematic drainage system had not been constructed and from 26<sup>th</sup> February 2018 the stool had been removed to the Galoya forest reserve without permission again due to a threat to the public health.

### 3.2 Management Inefficiencies

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Following facts were observed.

- (a) Actions had not been taken to repair or discharge four vehicles which are valued Rs. 16,482,050 and not in running condition
- (b) Two motors of the roller had been returned to the private limited on January 2017 and those had not been returned back to Sabha and follow up not been done.
- (c) The lawyers office building had been constructed by the Sabha without proper agreement or without taking action to clear ownership of the land so the expenditure of building had become useless.
- (d) Actions had not been taken to repair the clock towers which were not in working order since 2014 situated at the center of Hingurakgoda town and the other situated at Jayanthipura since several years.

### 3.3 Human Resource Management

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- (a) Exceeding the approved carder 8 personal had been employed.
- (b) There had been a debit balance of Rs. 668,318 from the officers who had been transferred dead, pensioned, interdicted and dismissed from the service and deserted of service.

### 3.4 Operational Inefficiencies

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Following facts were observed.

- (a) Necessary actions had not been taken against 18 illegal constructions which were disclosed by field inspections done by the revenue officers and technical officers.
- (b) The income gained by the shop rooms from the railway reservation had been Rs. 135,000 while the rent expenditure for it had been Rs. 523,250
- (c) Actions had not been taken to recover the arrears tender money Rs. 3,205,825 and monthly rent Rs. 352,000 from the lawyers office complex which had been built by the Sabha fund. Although it had been decided to charge Rs. 500 per room for month without assessment, action to collect that rent money had not been taken.

### 3.5 Assets Management

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#### 3.5.1 Idle and underutilized assets

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Following facts were observed.

- (a) The bio gas unit which was given to the Sabha by the National Solid Waste Management Assistant center on 31<sup>st</sup> March 2015 had not been used and had become an idle asset.
- (b) The cement block machine valued to Rs.130,862 had become idle.
- (c) Five shop rooms and a hall situated in the shopping rooms building at 2<sup>nd</sup> cross street had been idle since several years.
- (d) Actions had not been taken to get the ownership of lands and assets belonging to 07 water projects, 3 acher land belong to the library in Minneriya, 1 acher land with public toilet, land with Pulathisigama pre-school, Jayanthipura sub office, Jayanthipura clock tower etc.

### 3.6 Procurement

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#### 3.6.1 Procurement Plan

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A Procurement plan for 2017 had not been prepared by Sabha.

#### 3.6.2 Contract Administration

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Following facts were observed.

- (a) The road at RBI Marasinghe watta play ground had been developed by fixing concrete blocks and the soil laid on two sides had been eroded to the drain and those had been blocked.
- (b) The soil laid on the developed play ground at Hingurakgoda Seva Piyasa had not been well leveled and at some places there were hillocks and the soil had been eroded.
- (c)(i) The authority for the extra work valued to Rs. 11,069,853 had not been taken in the bill forward valued to Rs. 51,177,249 without vat for the construction of shopping complex at Hingurakgoda bus stand which had been constructed under the agreement valued to Rs. 40,107,396 using the north eastern local government service improvement project fund.
- (ii) The above building had not been opened due to the non availability of electricity.

### 04. Accountability and good governance

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#### 4.1 Budgetary Control

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It is observed that the budget has not used as an effective financial control tool due to there is a variance of 07 income subjects from 7 percent to 100 percent and expenditure subjects from 12 to 134.5 percent due to estimation of budget had been done without proper identification of the income sources and expenditure.

#### 4.2 Audit and Management Committees

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Audit and management committees had not been conducted in the year 2017

### 05. Systems and control

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The deficiencies observed in the audit have been forward for the attention from time to time. Special attention must be paid for the following areas of control

| <u>System</u>               | <u>Deficiency</u>   |
|-----------------------------|---|
| (a) Control of fixed assets | <ul style="list-style-type: none"> <li>(i) Assets in under utilized</li> <li>(ii) Verification not done</li> <li>(iii) Not maintaining fixed assets register.</li> <li>(iv) Not taking actions to get the ownership of assets.</li> </ul> |



- |     |                           |       |  |
|-----|---------------------------|-------|--|
| (b) | Revenue Administration    | (i)   | Not recovering revenue in areas                          |
|     |                           | (ii)  | Not surveying of industry enterprise and preparing lists |
|     |                           | (iii) | Not imposing of by laws                                  |
| (c) | Debtors/Creditors control | (i)   | Not settlement of payables and receivables               |
|     |                           | (ii)  | Not preparing the time analysis                          |
|     |                           | (iii) | Not maintain registers                                   |
| (d) | Solid waste management    | (i)   | A land has not taken over for solid waste management     |
|     |                           | (ii)  | Discharging solid waste without sorting                  |
|     |                           | (iii) | Release garbage in to the forest                         |
|     |                           | (iv)  | Not circularization of garbage.                          |