

**Hanguranketha Pradeshiya Sabha**

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**NuwaraEliya District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

Financial Statements for the year 2017 had been furnished to Audit on 29 March 2018 and the Auditor General's Report relating to the above Financial Statements Were sent to the Chairman on 31 July 2018.

**1.2 Qualified Opinion**

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Haguranketha 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**

**1.3.1 Accounting Deficiencies**

- (a) Although the project of the construction of Panangamuwa Road had been completed and the final payment had been made, advance of Rs.399,738 paid for the Project had not been settled and as such, advance of Rs. 399,738 had been overstated and the expenditure of the year had been understated by Rs. 399,738 in the financial statements as at 31 December of the year under review.
- (b) Revenue from Court pertaining to the period from May to September of the year under review had not been ascertained and brought to account.
- (c) Without being correctly recognized the Stamp Fees relevant to the year under review, a sum of Rs.4,902,500 had been brought to account as the Stamp Fees revenue of the year by adding an estimated revenue of Rs.3,442,550 to the Stamp Fees of Rs.1,459,950 received in cash during the year.

**1.3.2 Non-reconciled Accounts**

- (a) When comparing value of 02 accounts balances receivable as at 31 December of the year under review with the relevant accounts and the subsidiary documents, a difference of Rs.490,436 was observed.

- (b) When comparing sundry deposits balance of the Sabha as at 31 December of the year under review according to the deposit accounts and the deposit register, a difference of Rs.1,783,461 was observed.

### **1.3.3 Accounts Receivable and Accounts Payable**

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#### **1.3.1.1 Accounts Receivable**

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The balance of Industrial Debtors as at 31 December of the year under review was Rs.34,338,905 and out of that, a sum of Rs.21,275,427 remained unrecovered for more than a period of one year.

#### **1.3.3.2 Accounts Payable**

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The balance of the accounts payable as at 31 December of the year under review was Rs.24,464,702 out of that, a sum of Rs.11,653,009 had elapsed a period of one years.

### **1.3.4 Lack of Documentary Evidence for Audit**

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Documentary evidence relating to 08 Items of Accounts totaling Rs.121,344,173 stated in the balance sheet as at 31 December of the year under review had not been furnished and as such, those could not be satisfactorily vouched in audit.

### **1.3.5 Non-compliance**

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#### **Non-compliance with Laws, Rules and Regulations**

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Action in terms of Financial Regulation 396(d)and Central Provincial Financial Rules 283.4 had not been taken on 07 cheques valued at Rs.19,095 which had been issued but not presented to the bank for payments.

## **2. Financial Review**

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### **2.1 Financial Results**

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According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs. 3,015,791as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.9,962,267.

## 2.2 Revenue Administration

### 2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue, and Revenue in Arrears

-----Information on the estimated revenue, billed revenue, collected revenue, and revenue in arrears, presented relating to the year under review and the preceding year, is given below.

Source of Revenue	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	4,896,800	2,703,632	1,706,199	2,368,977	1,808,500	1,812,744	644,335	2,218,065
Rents	6,123,900	4,778,602	5,757,863	2,365,402	4,071,400	5,026,759	3,625,216	1,780,575
Licence Fees	2,633,100	2,546,313	2,546,313	-	19,860,500	2,660,504	2,660,504	-
Other Revenue	7,063,500	7,557,952	3,370,351	6,088,369	7,303,800	9,973,676	2,735,217	8,669,510

### 2.2.2 Performance in the Collection of Revenue

- (a) Out of the arrears of Rates, rents and water charges totaling Rs.4,333,407 existed at the beginning of the year under review, a sum of Rs.1,322,388 only had been recovered by the end of the year. Accordingly, recovery of outstanding revenue was at satisfactory level.
- (b) The billing of Rates, stall rents and water charges of the year under review amounted to Rs.5,297,536 and out of the that billings, a sum of Rs.3,504,313 only had been recovered by the end of the year.

## 3 Operating Review

### 3.1 Performance

Matters revealed in the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people in terms of Section 3 of the Pradeshiya Sabha Act, are as follows.

(a) Solid Waste Management  
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Although 310 compost bins worth Rs.1,081,454 had been purchased at different prices in the years 2016 and 2017 for distributing among the people of the area of authority of Sabha for solid management process, 224 bins of the above stock had not been distributed by the end of the year under review. Similarly, the value of the remaining bins ,which had been purchased at different prices in 02 years, could not be computed.

(b) Environmental Issues  
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Without manufacturing organic fertilizer by using the wastes collected within the area of authority of Sabha, those had been covered by laying soil and it was further observed that the polythene brought to the waste management centre had been burnt and destroyed.

(c) Sustainable Development Goals  
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The PradeshiyaSabha was not fully conversant with the sustainable development goals and targets, and functions had not been adequately discharged thereon during the year under review.

**3.2 Management Inefficiencies**  
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- (a) Although the period of validity of environmental protection licences obtained by 14 business enterprises in terms of the Extraordinary Gazette No.1523/16 dated 25 January 2008 issued in accordance with the National Environmental Act, No.47 of 1980 as amended by the Acts Nos. 56 of 1988 and 53 of 2000 and the regulations made thereunder had expired, new licences had not been issued.
- (b) Revenue licence in respect of a Cab granted to the Sabha by the Ministry of Local Government in the year 1998 had not been obtained from the year 1998 up to the year under review.

**3.3 Assets Management**  
-----**3.3.1 Failure to carry out repairs and maintenance**  
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- (a) Necessary facilities for the public library belonging to the Mathurata Sub-Office had not been sufficiently provided and maintenance activities, too, had not been satisfactorily carried out.
- (b) Electricity and water supply facilities required for the Rikillagaskada public market had not been provided and the building had not been either maintained or repaired properly.
- (c) Necessary facilities for the Rikillagaskada Sub-Office had not been adequately provided and the roof of the Sub-Office building remained repairable condition.

### 3.3.2 Idle/Underutilized Assets

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As the pipelines carrying water to the drinking water tank at Udawattakumbura constructed at a cost of Rs.642,312 in 2017 with the use of provisions of the Provincial Council members and the pipelines distributing water from the above tank had not been properly laid, the water tank had not been used for the benefit of the people.

## 4. Accountability and Good Governance

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### 4.2 Budgetary Control

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(a) According to the Budget prepared for the year under review, when estimated revenue and expenditure are compared with the actual revenue and expenditure, variations from 10 per cent to 67 per cent in 06 Items of Revenue and variations from 42 per cent to 98 per cent in 04 Items of Expenditure were observed. Accordingly, it was observed that the Budget had not been made use of as an effective tool of management.

## 5. Systems and Controls

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Deficiencies observed in the audit test check were brought to the notice of the Sabha from time to time. Special attention is needed in the following areas of systems and controls.

<b>Areas of Systems and Controls</b>	<b>Observations</b>
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(a) Revenue	Failure to recover the revenue in arrears.
(b) Debtors and Creditors	Failure to settle the old balances
(c) Assets	(i) Failure to use assets at their optimum level
	(ii) Failure to carry out maintenance and repairs properly.