

Hingurakgoda Pradeshiya Sabha

Polonnaruwa District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented for audit on 29 March 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 29 May 2019 and 24 May 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the basis for qualified opinion section 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 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for the Qualified Opinion

(a) Accounting Deficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
(i) Receivable amount of court fines for the last three months of the year had not been identified and accounted.	The information should be obtained from the relevant institutions before making the financial statements.	Action would be taken to correctly bring to account in future.
(ii) Receivable Stamp Duty for the year under review and for the previous year had not been identified and accounted.	The information should be obtained from the relevant institutions before making the financial statements.	Action would be taken to correctly bring to account in future.
(iii) The revenue received from the gully bowsters for the year under review had been understated by Rs.1,035,050.	Should be corrected after necessary reconciliations.	Action would be taken to correctly bring to account in future.

(b) Unreconciled Accounts

Audit Observations	Recommendations	Comments of the Accounting Officer
(i) It had been observed a difference of Rs.106,749	Should be corrected after	Action would be taken to

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| | between the balance of, the Employees Loans Register of Rs.4,072,975 and the balance in the Financial Statements of Rs. 3,966,226. | necessary reconciliations. | correctly bring to account in future. |
| (ii) | Difference of Rs.239,145 in the receivable rates , had been observed between the balance in Financial Statements of Rs.2,676,692 and the balance of Rs.2,915,837 appeared in the subsidiary registers. | Should be corrected after necessary reconciliations. | Action would be taken to correctly bring to account in future. |
| (iii) | An aggregating difference of Rs.16,966,269, relevant to five account balances had been observed between P.S.04 Receivables Analysis and the Statement of Income. | The reasons should be explained by necessary Ledger Accounts and Journal Entries. | Actions would be taken to adjust by necessary Journal Entries. |

(c) Lack of Necessary Documentary to Evidence for Audit

Audit Observations

An accumulated amount of Rs.433,434,124 on five items of accounts/ transactions could not be satisfactorily vouched during the audit due to non rendition of necessary information.

Recommendations

Evidence for confirming the balances of accounts in the financial statements should be furnished.

Comments of the Accounting Officer

Applied for the ownership of Lands under the "Bimsaviya" Project.

(d) Receivable and Payable Accounts

Audit Observations

- (i) Necessary actions had not been given to settle the balance Payables showed in the Financial Statements, for 2 to 10 years of Rs.4,019,598.
- (ii) No necessary concern had been given to recover the balance Receivables showed in the Financial Statements from the year 2016 of Rs.6,725,164 .

Recommendations

- Should verify the balances correctly and settled.
- Should verify the balances correctly or recovered.

Comments of the Accounting Officer

- Action would be taken to correctly bring to account in future.
- Action would be taken to recover the balance in future.

1.4 Non Compliance

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Non-compliance with Laws, Rules, Regulations and Management Decisions
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Non compliance with rules and regulations and management decisions are as follows.

Reference to Laws, Rules, Regulations and Management Decisions	Non Compliances	Recommendations	Comments of the Accounting Officer
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(a) <u>Pradeshia Sabha Act No.15 of 1987</u>			
(i) Section 24	Sabha had not marked and planned the permanent signs and boundaries or displayed a notice with the list of names of the roads and lanes which maintained by them.	Should prepare the relevant documents.	Actions are being taken.
(ii) Section 126	Actions had not been taken to make necessary by laws to collect the Parking Fees, Weekly fair tax, and Water Charges.	Should make the necessary supplementary provisions and recover.	Actions would be taken to make the by laws and recover.
(iii) Section 134	Lands which developed time to time had not been identified to collect the rates.	Should identify the lands developed time to time and collect rates.	Survey is being carried out.
(iv) Section 135	A list had not been prepared for the rates free property.	Should prepare a list for the duty free property.	Actions would be taken to prepare the list.
(b) <u>1988 Pradeshia Sabha (Finance and Administration) Rules</u>			
(i) <u>Rule No. 59 to 63</u>	A survey had not been done and a list had not been prepared of the industries carried out inside the territory of the Sabha and a notice had not been sent as to order to pay the Industrial Tax at the beginning of the every year.	Actions should be taken according to the regulations.	Actions would be taken in the future.

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| (ii) | <u>Rule No. 218</u> | A Survey had not been carried out to assess all the lands and buildings in the year under review or in previous years. | An annual Survey should be carried out. | Actions would be taken in the future. |
| (c) | <u>Section 10 Paragraph XXIV of the Establishment Code of Democratic Socialist Republic of Sri Lanka</u> | Actions had not been taken to recover loan balances of Rs.804,495 from 11 Officers transferred to the Sabha and Rs.955,199 of 10 Officers transferred from Sabha. | Actions should be taken to settle accordingly the Establishment Code. | Actions would be taken in the future. |
| (d) | <u>Paragraph 01 of Circular No.88/20 on 20 April 1988 of Commissioner Local Authorities</u> | An amount of Rs.64,291 stated as cash in hand and an amount of Rs.51,490 stated as cheques deposited but not yet credited had not been settled over 10 years. | Actions should be taken accordingly the Circular. | Answers had not been given. |

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2018 amounted to Rs.5,981,895 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.8,816,876.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2018				2017			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	4,894,500	4,798,892	4,327,291	3,202,983	4,582,000	5,519,268	4,696,067	3,101,407
(ii) Rent	11,670,300	34,597,270	10,355,060	11,546,765	3,494,480	9,947,164	5,545,639	11,521,830
(iii) Licence Fees	2,755,000	2,991,261	2,991,261	-	3,000,000	3,066,025	3,066,025	-
(iv) Other Revenue	18,625,000	17,742,991	31,385,625	17,742,917	8,100,000	6,764,379	-	41,671,796
Total	37,944,800	60,130,414	49,059,237	32,492,665	19,176,480	25,296,836	13,207,731	56,295,033

2.2.2 Performance in Collection of Revenue

Audit Observations	Recommendations	Comments of the Accounting Officer
Sabha had been estimated revenue amounting to Rs.37,944,800 and the amount of revenue recovered had been Rs.49,059,238 for the year under review. The main reason for exceeding recovered revenue than the estimated revenue had been the Court Fines received by the Sabha amounting to Rs.31,385,626 relevant to the previous years. .	Actions should be taken to estimate and account the Revenue accurately.	Action would be taken to recover the arrears revenue.

2.2.3 Rates and Tax

Audit Observations	Recommendations	Comments of the Accounting Officer
Even though rates should assess once every five years according to the Circular No.1988/22 dated 17 May 1988 of Commissioner of Local Authorities, Sabha had based on an assessment carried out in 2005 and recovered rates and the arrears amount of rates as at 31 December 2018 was Rs.2,676,692.	Actions should be taken to assess tax for every five years and recover the amount of arrears rates.	The report had not been issued by the Government Valuation Department of the assessment carried out in the year 2013. Action would be taken to make a new assessment in the future.

2.2.4 Rent

(a) Stall Rent

Audit Observations	Recommendations	Comments of the Accounting Officer
Arrears of the Stall Rent had been Rs.8,911,749 for the year under review and the main reason for the arrears was that the stall rent had not been collected according to the Rent Agreements.	Actions should be taken to recover the arrears Stall Rent according to the Agreements.	Agreed to take actions against the stall owners who had not paid the stall rents and seal their stalls.

2.2.5 Other Revenue

Audit Observations	Recommendations	Comments of the Accounting Officer
Sabha had an arrears of revenue for one to six years amounting to Rs.9,631,459 from Renting the Vehicles and Machinery owned by the Sabha and the	Actions should be taken to recover the arrears revenue.	An amount of Rs.405,650 should recovered by the decentralized Funds. Notices had been sent for the rest of the amount.

3. Operating Review

3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

(a) By-Laws

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) <u>By Laws</u> Even though by laws should be imposed on 27 mattes under Section 126 of the Pradeshiya Sabha Act, by laws had been imposed only for on 10 matters as at 31 December 2018.	Action should be taken to impose by laws,	Actions would be taken to impose by laws for the other matters.
(b) <u>Delays of completing Projects</u> Funds of Rs.493,385 received in the year 2016 and 2017 for 04 Projects under the Provincial and Decentralized Development Program had not been spent.	Should act without delays.	Actions would be taken to complete the 04 projects soon.
(c) <u>Sustainable Development Goals</u> (i) Even though the Sabha had aware of the Sustainable Development Targets	Should identify the goals of the Sabha.	Actions would be taken with necessary consideration to all the matters in the future.

introduced by United Nations they had not correctly identified the targets relevant to the Sabha.

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| (ii) | There had no processes for collecting data for the indices introduced by the Circular No. BD/CBD/4/1/2-2018 dated 31 July 2017 of the Department of National Budget when making the budget. | Should act according to the advices. | Actions would be taken with necessary consideration to all the matters in the future. |
| (iii) | No processes for collecting data for the indices because there had no benchmarks to regulate when the tasks reaching their targets. | Actions should be taken to collect data. | Actions would be taken with necessary consideration to all the matters in the future. |
| (iv) | Sabha had not identified the necessary financial provisions to reach the sustainable development targets in the years 2016, 2017 an 2018. | Actions should be taken to identify and fund. | Actions would be taken with necessary consideration to all the matters in the future. |
| (v) | There was no any process to train the staff of the Sabha when reaching the targets and Sabha had not identified the other government institutions which they should join with when attaining the targets. | Necessary trainings should be carried out. | Actions would be taken with necessary consideration to all the matters in the future. |

3.2 Management Inefficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
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(a) An amount of Rs.3,390,000 received as an Insurance Claim on 26 August 2016 for a Cab which met with an accident in 2015 and condemned valued Rs.6,390,000, had been continuously remained idle in the current account. The amount of Rs.3,000,000 had not been received as at 18 April 2019 by the Sabha as	Full inspection should be carried out and recover the full insurance claim.	Requested necessary actions from the Ministry of Provincial Councils and Local Government to acquire the full claim.

the full claim for the vehicle from Sri Lanka Insurance Corporation and a full inspection about the accident had not been carried out yet.

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| (b) Actions had not been taken to claim from responsible parties for a shortage of a laptop computer valued Rs.436,928 and 326 flag posts. | Legal actions should be taken | Action would be taken to claim for 326 flag posts in the future and the facts would be put forward at the Annual General Meeting about the Laptop Computer act accordingly. |
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3.3 Human Resources Management

Audit Observations	Recommendations	Comments of the Accounting Officer
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(a) As a Sabha with two Sub Offices, four Libraries and a Crematorium, having 27 approved vacancies which incurred 10 secondary staff vacancies in the Staff, had been a barrier to the Sabha to attain the Performance Goals.	Actions should be taken to have an enough staff.	Actions would be taken to appoint the vacant posts.
(b) Because Sabha had not identified the up to date needs of the Staff for the Library Service a weak progress of the readers attendance had been shown.	Sabha should appoint an enough staff and provide an optimum service to the clients.	Actions would be taken to appoint the vacant posts.

3.4 Assets Management

Audit Observations	Recommendations	Comments of the Accounting Officer
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(a) A building had been given to the Provincial Engineering Office without an agreement and an arrears of Rs.128,865 had not been recovered for Water and Electricity Bills from the building rented previously for the Provincial Agriculture Office.	make agreements and recover the arrears.	Actions would be taken to recover the arrears.
(b) Action had not been taken to recover the Tender fees of Rs.3,465,325 and the Rent that should have been monthly recovered of Rs.624,000 for	Legal actions should be taken to recover the arrears.	Actions would be taken in the future with the necessary consideration.

the 16 Lawyers Office Rooms built inside the court premises by the Sabha.

- (c) 05 items of Assets owned by the Sabha had been remained idle over for 02 years and 05 years. Actions should be taken to repaired and used or discarded. Actions would be taken in the future with the necessary consideration.

3.5 Contracts Control

 The Following matters were observed during the Physical examination of the Constructions and the Certified Bills of 06 Road Development Projects under the Rural Road Development Program of the Department of North Central Provincial Council.

Audit Observations	Recommendations	Comments of the Accounting Officer
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(a) According to the certified bills of the payments for lining interlocking stones 06 roads Rs.234,677 had been over billed.	Action should be taken to correct.	Because the Cash in hand had not been released, actions would be made to release the Cash in hand after finishing the development as stated in the Bills.
(b) Because of that two Roads had been developed 15.5m shorter than the actual length certified in the Bills it had been certified Rs.140,724 over payment.	Action should be taken to correct.	Because the Cash in hand had not been released, actions would be made to release the Cash in hand after finishing the development as stated in the Bills.
(c) Rs.99,232 had been over certified for the payment, for constructing a Side Wall for a Road.	Action should be taken to correct.	Cash in hand would be released after reducing over certified Rs.99,232 of for the payment.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation

Sabha had not been carried out an Internal Audit for the year under review.

Recommendation

Action should be taken to carry out an Internal Audit.

Comments of the Accounting Officer

Actions would be taken.