

Horowpatana Pradeshiya Sabha
Anuradhapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to the Audit on 13 March 2020. The summary report of the Auditor General relating to those financial statements, and the detailed management audit report had been submitted to the Chairman on 21 August 2020 and 14 September 2020 respectively.

1.2 Disclaimer of Opinion

I do not express an opinion on the financial statements of the Pradeshiya Sabha, because of the significance of the matters described in paragraph “Disclaimer of Opinion” of this report, I was unable to obtain material and appropriate audit evidence to provide a basis for audit opinion on these financial statements.

1.3 Basis for Disclaimer of Opinion

(a) Accounting Deficiencies

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
(i) Expenditure of Rs. 8,624,400 incurred on 16 decentralized projects during the year under review had been brought to account as recurrent expenditure on capital asset repairs and maintenance.	The capital expenditure incurred by the Sabha should be brought to account under capital expenditure.	Agree.
(ii) The value of 08 lands and buildings mounting to Rs.62,512,322 as at 31 December of the year under review had not been brought to account.	Steps should be taken to account for all assets belonging to the Sabha.	Agree.
(iii) The value of 08 motor vehicles amounting to Rs. 57,446,247 belonging to the Sabha as at 31 December of the year under review had not been brought to account.	Steps should be taken to account for all assets belonging to the Sabha.	Agree.
(iv) Seven motor vehicles the value of which was not revealed had not been assessed and accounted for.	The value of all the assets belonging to the Sabha should be assessed and brought to account.	Agree.

(v)	The value of the land on which Neela Haritha Garden belonged to the Sabha was situated and the value of the buildings erected on the land and assigned to the Sabha had not been brought to account.	Steps should be taken to account for value of all assets belonging to the Sabha.	Agree.
-----	--	--	--------

(vi)	The value of the fingerprint machine worth Rs. 35,500 purchased during the year under review had not been stated in the financial statements.	Steps should be taken to account for value of all assets belonging to the Sabha.	Agree.
------	---	--	--------

(b) Contingent Liabilities

----- Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
The Financial Statements as at 31 December 2019 had not disclosed information regarding the cases filed against the Sabha by 02 external parties and the cases filed by the Sabha against an external party.	Information on contingent liabilities should be disclosed in financial statements.	Agree.

(c) Unreconciled Account

----- Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
There was a total difference of Rs.136,497 between the financial statements and the documents with regard to the value of 06 items of accounts as at 31 December of the year under review.	Action should be taken to correct the accounts by reconciling the differences in the relevant balances.	According to the financial statements, the balances are correct and this difference is shown due to the mistakes made in the preparation of the documents and action will be taken to correct the documents.

(d) Accounts Receivable

----- Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
Two receivable account balances amounting to Rs. 6,719,851 had not been recovered over a period of 01 to 20 years.	Action should be taken to recover the balance due.	Agree.

(e) Lack of Necessary Documentary Evidence for Audit

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
(i) No credible evidence had been presented in respect of 05 items of accounts valued at Rs. 9,631,482.	Evidence to substantiate balance of accounts stated in the financial statements should be furnished.	Agree.
(ii) Journal entries had not been submitted for transfers of 25 revenue items worth Rs. 45,913,746 and 34 expenditure items worth Rs. 61,039,452 to accounts in the main ledger during the year under review.	All required journal entries and accounts should be submitted.	Agree.

1.4 Non-compliance

Non-compliance with Law, Rules, Regulations and Management Decisions

Reference to Law, Rules, Regulations and Management Decisions -----	Non-compliance -----	Recommendation -----	Comment of the Accounting Officer -----
(a) Pradeshiya Sabhas (Finance and Administration) Rules, 1988 -----			
(i) Rule 33	A list of defaulters of rates and property prohibition warrants had not been prepared at the end of each quarter.	Action should be taken in accordance with the Rules.	Agree.
(ii) Rule 59	No survey had been conducted on business and industrial taxes in the Sabha area.	Action should be taken in accordance with the Rules.	Agree.
(iii) Rule 217 and 218	A register on the lands and buildings owned by the Sabha	Action should be taken in accordance	Agree.

		had not been maintained in accordance with the PS46 form and no action had been taken to inspect all lands and buildings once every year.	with the Rules.	
(b)	Public-Administration and Management Circulars -----			
	(i) 30/2016 Circular No. 30/2016 dated 29 December 2016	Fuel consumption of 07 vehicles belonging to the Sabha had not been tested.	The relevant circular should be followed.	Agree
	(ii) 09/2009(I) Circular No. 09/2009 (I) dated 17 June 2009	Fingerprinting machines had not been installed.	The relevant circular should be followed.	Agree.
(c)	Paragraph 2.9.1 of the Procurement Guidelines of the Democratic Socialist Republic of Sri Lanka.	Although the amount of procurement decisions taken at each meeting should be considered as one committee for the payment of procurement allowances, due to the payment of allowances based on the number of decisions in respect of 17 decisions taken in 4 days, an overpayment of Rs. 76,250 had been made. Although the amount of procurement decisions taken at each meeting should be considered as one committee for the payment of procurement allowances, due to the payment of allowances based on the number of decisions in respect of 17 decisions taken in 4 days, an overpayment of Rs.76,250 had been made.	The relevant circular should be followed.	Agree.

02. Financial Review

2.1 Financial Results

According to the financial statements presented, the expenditure of the Sabha in excess of the recurrent revenue amounted to Rs. 11,375,770 for the year ended 31 December 2019 as against the revenue in excess of the recurrent expenditure amounting to Rs. 23,070,993 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue, and Outstanding Revenue

Details on the Estimated Revenue, Billed Revenue, Collected Revenue, and Outstanding Revenue presented for the year under review and the preceding year are as follows.

Source of Revenue	2019				2018			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears at at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Tax	1,872,800	1,371,822	1,381,777	1,216,884	1,326,400	1,511,392	1,343,325	1,226,839
(ii) Lease Rent	5,102,768	4,650,229	3,985,243	7,696,981	5,074,600	3,851,465	3,546,771	7,051,995
(iii) License fees	606,000	412,320	412,320	1,033,300	713,000	484,050	484,050	1,033,300
(iv) Other income	32,937,250	8,950,333	12,542,196	1,472,605	28,053,940	51,240,865	49,658,263	5,064,468
Total	40,518,818	15,384,704	18,321,536	11,419,770	35,167,940	57,087,772	55,032,409	14,376,602

2.2.2 Rates and Taxex

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) Rates of Rs.148,984 remained recoverable due on 258 properties belonging to 09 roads in the Sabha area as at 31 December 2019.	Action should be taken to recover the arrears of rates.	As it is a 1994 assessment, there are about 50 per cent of unidentifiable properties and due to the inability to recover the rates, there is a deficit of Rs.148,984. Therefore, the matter has been referred to the Local Government Authority for a new assessment.

- | | | | |
|-----|---|---|--|
| (b) | The rates were being levied based on the 1994 assessment. | Rate has to be assessed every 05 years. | The matter has been referred to the Local Government Institution for a new assessment. |
|-----|---|---|--|

2.2.3 Lease Rent

Audit Observation	Recommendation	Comment of the Accounting Officer
-----	-----	-----
(b) According to the Local Government Circular No.1980/46 dated 31 December 1980 of the Commissioner of Local Government, properties should be assessed once every five year, but charges had been levied for 22 shops owned by the Sabha based on the assessment made in 1994.	According to the circular, the property should be assessed every 05 years and action should be taken to recover charges by imposing the new assessment.	Action will be taken to recover charges from the shops through a property valuation in the future.
(b) Agreements had been signed in 1994 for all other stalls except the stalls Nos. 4, 8, 9 and 10 and of the Public Market and no action had been taken to renew the agreements.	Action should be taken to renew agreements based on a new assessment.	Action will be taken to renew the shop agreements through a new assessment.

2.2.4 License Fees

Audit Observation	Recommendation	Comment of the Accounting Officer
-----	-----	-----
Although there are a large number of institutions that are required to issue environmental licenses as per Schedule iii of Gazette No. 1534/18 dated 01 February 2018, only 10 institutions have been issued environmental licenses.	Action should be taken to identify the industries which require to obtain Environmental Licenses and to recover the revenue.	Agree.

2.2.5 Other Income

Audit Observation	Recommendation	Comment of the Accounting Officer
Garbage charges received during the year under review amounted to Rs. 272,600 only and the arrears due on 31 December were Rs.1,067,200.	Action should be taken to recover the arrears.	Agree.

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 Sabhas Act, are as follows.

(a) By-laws

Audit Observation	Recommendation	Comment of the Accounting Officer
Although by-laws should be enacted under Section 126 of the Pradeshiya Sabha Act to fulfill 28 main functions, by-laws had not been enacted with respect to the relevant matters by 31 December 2019.	Action should be taken to impose by-laws in terms of Section 126 of the Pradeshiya Sabha Act.	It was stated at the progress review meeting that the Department of Local Government will take steps in the future to provide a common methodology for the imposition of by-laws.

(b) Sustainable Development Goals

Audit Observation	Recommendation	Comment of the Accounting Officer
The Sabha was unaware of the United Nations 2030 Agenda for Sustainable Development Goals during the year under review.	Action should be taken in accordance with the United Nations Sustainable Development Goals Agenda 2030	Agree. Action will be taken to formulate a targeted program to achieve the Sustainable Development Goals in the future

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) Although the building plans had been approved, no certificates of conformity had been issued.	Arrangements should be made to issue certificates of conformity by doing follow-up for the relevant approved plans.	Agree.
(b) Nine stalls at the public market belonging to the Sabha have not been repaired and leased out for more than 08 years and as a result an estimated loss of Rs 840,000 had been incurred to the Sabha by 31 December of the year under review.	Action should be taken to recover the revenue by renovating the relevant shops.	Agree.
(c) Although the ad hoc advances should be settled soon after the completion of relevant work, the advance of Rs. 149,400 given in 2017 and 2018 had been settled with a delay of 06 months to 02 years.	Ad hoc advances should be settled soon after the completion of relevant work.	Agree.

3.3 Assets Management

3.3.1 Failure to Document the Assets

Audit Observation	Recommendation	Comment of the Accounting Officer
Cemeteries and other lands owned by the Pradeshiya Sabha had not been identified, valued and brought them to account.	The value of all assets should be assessed and brought to account.	Agree. Surveying activities have been done regarding the cemeteries and lands belonging to the Pradeshiya Sabha and the matters have been referred to the relevant institutions for acquisition of lands.

3.3.2 Non-acquisition of Assets

Audit Observation

The Sabha had not taken action to acquire the ownership of 11 vehicles used by the Sabha as at 31 December 2018.

Recommendation

Action must be taken to take over the ownership of all properties.

Comment of the Accounting Officer

Agree.

3.3.3 Idle/Underutilized Assets

Audit Observation

(a) The photon tractor worth Rs. 2,175,000 received in 2016 had been parked in the Sabha premises without being used for any purpose up to date.

(b) Seven dysfunctional vehicles parked at the Sabha premises had not been repaired and used or disposed of.

Recommendation

Action should be taken to utilize all the assets of the Sabha with maximum efficiency.

Action should be taken to utilize all the assets of the Sabha with maximum efficiency.

Comment of the Accounting Officer

Agree

The photon tractor bearing No RD-9395 is in repair condition and action will be taken to use it for garbage collection.

Agree.

Action will be taken to take over the ownership of these vehicles and thereafter action will be taken regarding the disposal of those vehicles.

04. Accountability and Good Governance

4.1 Internal Audit

Audit Observation

Under paragraph 06 of Circular No. 04/2015 dated 18 March 2015 of the Commissioner of Local Government, North Central Province, an Internal Audit Officer directly responsible for had not been appointed and reports had not been obtained.

Recommendation

Action should be taken to appoint an Internal Auditor as per the relevant circular and to obtain reports accordingly.

Comment of the Accounting Officer

An Internal Audit Officer has been appointed.

4.2 Implementation of Audit and Management Committees

Audit Observation

Recommendation

Comment of the Accounting Officer

Audit and Management Committee meetings had not been held for the year under review as per the Management and Audit Circular No.DMA / 2009 (1) (i) dated 28 January 2016

Measures should be taken to hold Audit Management Committees in accordance with the Circular.

Agree.