

Hingurakgoda Pradeshiya Sabha
Polonnaruwa District

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year 2019 had been presented for the Audit on 02 March 2020 and the Summary Report of the Auditor General on the Financial Statements and the Detailed Management report had been forwarded to the Chairman on 08 July 2020 and 02 July 2020 respectively.

1.2 Adverse Opinion

In my opinion, because of the significance of the matters discussed in the basis for Adverse Opinion section of my report, the accompanying financial statements do not give a true and fair view of the financial position of the Hingurakgoda Pradeshiya Sabha as at 31st December 2019 and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for the Adverse Opinion

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Accounting Policies -----		
Advance Accounting System had not been followed regarding inventory items	Advance Accounting System should be followed	Accepted
(b) Accounting Deficiencies -----		
Audit Observation	Recommendation	Comments of the Accounting Officer
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(i) Court Fines income for the month of November and December of the year under review and Stamp Duty for the year under review had not been identified and accounted.	Court Fines and Stamp Duty relevant to the year should be identified and accounted.	Accepted
(ii) Value of Hingurakgoda Pulathisi Tharaka Mandapaya had not been identified and accounted.	Value should be identified and accounted since building is belonged to the	Request had been made for taking the value.

(iii)	A balance of loans of Rs. 230,492 in the register of employee loans had not been accounted.	sabha. Loans balance should be correctly accounted.	Accepted. Actions will be taken to account.
(iv)	Arrears of Rs. 52,500 had been less accounted according to the rent income register of backhoe loader.	Correct value should be accounted.	Actions will be taken to correct.
(v)	Arrears rent income of Rs. 72,000 of Motor grader had been missed from the financial statements.	Value should be accounted correctly.	Actions will be taken to correct.
(vi)	Although interest expenses relevant to Local Loans and Development Fund were Rs. 3,786,837, it had been accounted in the financial statements as Rs. 3,431,240.	Correct expenses should be accounted.	Actions will be taken to correct.
(vii)	Provisions for the Audit fees of the year under review had not been accounted.	Provisions should be made for audit fees.	Actions will be taken to make provisions in the coming year.
(viii)	Although Arrears of tax income of letting properties for the 31 December of the year under review were Rs. 62,230, it had been accounted as Rs. 376,715 in the financial statements.	Correct expenses should be accounted.	Actions will be taken to correct.

(c) Unreconciled Accounts

	Audit Observation	Recommendation	Comments of the Accounting Officer
(i)	A difference of Rs. 155,658 was appeared between Rs. 334,270 of arrears of water charge in the schedules presented with financial statements and Rs. 489,928 in the financial statement.	Actions should be taken to compare difference and to correct.	Schedule had been missed.
(ii)	A difference of Rs. 509,240 was between schedule presented with financial statements as at 31 December 2019 and Employee loan register.	Actions should be taken to compare difference and to correct.	Accepted. Actions will be taken to enter balances.

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| (iii) | A difference of Rs. 156,095 had been appeared between Rs. 5,002,095 of control account of employee loan balances and Rs. 4,846,000 in statement of financial position as at 31 December 2019. | Actions should be taken to compare difference and to correct. | Accepted. Actions will be taken to correct. |
| (iv) | A difference of Rs. 77,372,051 was observed between value of Fixed Assets account and contribution to income from capital outlay account. | Actions should be taken to compare difference and to correct. | Accepted. Actions will be taken to correct. |
| (v) | Evidences were not presented for the differences of Rs. 27,248,683 of 10 balances in the statement of financial position as at 31 December 2018 and comparative information presented with financial statements of the year under review. | Differences in individual balances should be compared and correct. | No comments. |
| (vi) | A difference of Rs. 77,281,675 was appeared between Rs. 114,113,235 in receivables in the statement of financial position and Rs. 36,831,560 in the notes presented for that. | Actions should be taken to compare difference and to correct. | Accepted. Actions will be taken to find the reasons for differences. |
| (vii) | A difference of Rs. 16,153,953 was appeared between Rs. 76,778,466 of current liabilities in the statement of financial position and Rs. 92,932,419 in the notes presented for that. | Actions should be taken to compare differences and to correct. | Accepted. Actions will be taken to find the reasons for differences. |
| (viii) | A difference of Rs. 13,165,788 was appeared between final balances of financial statements as at 31 December 2018 and opening balances of the year 2019 by Rs. 4,549,597 in current assets and Rs. 8,616,191 in current liabilities. | Actions should be taken to compare differences and to correct. | Actions will be taken to correct. |
| (ix) | A difference of Rs. 88,638,908 was appeared between closing balances of the statement of financial position in the year under review and closing balances of the ledger accounts by Rs. 77,626,033 of non-current assets, Rs. 7,214,778 current assets and Rs. 3,798,097 of current liabilities. | Actions should be taken to compare difference and to correct. | Actions will be taken to correct. |

(d) Suspense Account

<p>-----</p> <p>The credit balance of the suspense account in the statement of financial position as at 31 December 2019 was Rs. 773,158.</p>	<p>Actions should be taken to correct.</p>	<p>Accepted.</p>
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(e) Lack of Documentary Evidences Necessary for the Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
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(i) Information of 06 accounts subjects of Rs. 472,549,774 had not been presented for the audit.	Confirmation of balances in the financial statements should be presented.	Actions will be taken to find detailed schedules, ownership certificates.
(ii) Current Assets of Rs. 110,266,667, current liabilities of Rs. 120,370,573 and equity of Rs. 585,960,884 appeared in the financial statements could not be satisfactorily vouched since balances had not been entered to the ledger accounts.	Ledger accounts should be completed and balanced.	Accepted.

1.4 Non Compliances

Non-Compliances with Laws, Rules, Regulations and Management Decisions are as follows.

Audit Observation	Recommendation	Comments of the Accounting Officer
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Reference to Laws, Rules, Regulations and Management Decisions	Non-Compliance	
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(a) Pradeshiya sabha Act no 15 of 1987		
(i) Clause 126	By laws had not been imposed to charge advertisement	By laws should be imposed. It had been sent to the Department of Government printing.

board income and letting weekly fair.

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| (ii) Clause 134 | Developed areas had not been identified periodically to charge rates. | Actions should be taken to charge rates by identifying developed areas. | It had been mapped and sent to the commissioner of Local Government. |
| (b) Rates and Tax valuation Ordinance No 30 of 1946 | Although rates should be assessed once in every 05 years, rates were being charged on the assessment done in 2003. | Assessment should be done in accordance with the ordinance. | Revised assessment has been sent to the approval of the governor. |
| (c) Pradeshiya sabha (Financial and Administrative) Rules in 1988 | | | |
| (i) Rule no 59 - 63 | A list of industries and businesses had not been prepared by doing a survey in the territory area and register of names of defaulters had not been prepared. | Fees should be charged by doing a survey annually preparing a list of trade, business and industries. | Registers had been prepared by this for 2020. |
| (ii) Rules no 180 and 184 | Guarantees had been taken from only 05 officers employed in present who are dealing with cash, store activities, collecting income. | Guarantees should be taken from the necessary officers. | Actions will be taken to get guarantees. |

(d) Financial
Regulations of the
Democratic
Socialist Republic
of Sri Lanka

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| (i) | F.R.371(5) revised by the public finance circular No 3/2015 dated 14 July 2015 | Advances of Rs. 202,397 had been settled with a delay of 11 days to 122 days. | Actions should be taken to settle advance without a delay. | Actions will be taken to settle without a delay in the future. |
| (ii) | F.R.396 | Actions had not been taken as per F.R. regarding 09 checks, valued Rs. 8145 issued but none presented. | Actions should be taken as per Financial Regulations. | Accepted. Actions will be taken in accordance with Financial Regulations. |

1.5 Receivable and Payable Accounts

(a) **Receivable Accounts**

Audit Observation

Recommendation

Comments of the
Accounting Officer

An adequate concentration had not been given to recover 11 receivable account balances of Rs. 120,198,519 appeared in the financial statements as at end of the year under review and age analysis had not been presented.

Actions should be taken to recover receivable balances.

Actions will be taken to recover quickly as they are coming from long period.

(b) **Payable Accounts**

Actions had not been taken to settle 4 payable account balances of Rs. 76,747,018 appeared in the financial statements and age analysis had not been presented.

Actions should be taken to settle.

Actions will be taken to settle as they are coming from long period.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of recurrent expenditure over revenue for the year ended 31st December 2019 amounted to Rs. 27,579,736 and compared to that, excess of recurrent expenditure over revenue in the previous year was Rs. 5,981,895.

2.2 Revenue Administration

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

Information relating to the Estimated Revenue, Billed Revenue, Collected Revenue and Arrears of Revenue for the year under review and previous year appear below.

Source of Revenue	Estimated Revenue	2019		Total arrears as at 31 st December	Estimated Revenue	2018		Total arrears as at 31 st December
		Billed Revenue	Collected Revenue			Billed Revenue	Collected Revenue	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	4,916,700	4,765,604	3,287,313	1,489,120	4,894,500	4,798,892	4,327,292	3,202,984
Rent	12,426,300	12,971,509	7,752,987	5,218,521	11,670,300	34,597,270	10,355,060	11,546,767
License fees	2,555,000	-	2,652,000	-	2,755,000	-	2,991,261	-
Other income	23,150,000	14,863,174	24,496,880	22,163,174	18,625,000	17,742,991	31,385,626	29,695,423
Total	43,048,000	32,600,287	38,189,180	28,870,815	37,944,800	57,139,153	49,059,239	44,445,174

2.2.2 Rates and Taxes

Audit Observation

Recommendation

Comments of the Accounting Officer

- (a) Rs. 767,151 out of Rs. 1,944,689 from the arrears rates as at 31 December 2018 had been recovered in the year 2019 and it was 39 percentage from the arrears.
- Actions should be taken to recover arrears of rates.
- Final notices are distributing for recovery. General treasury had been sent to cut of arrears from destroyed Government properties.

2.2.3 Rent

Audit Observation

Recommendation

Comments of the Accounting Officer

- (a) Any income had not been recovered from Rs. 1,951,056 due from 24 stalls in new
- Actions should be taken to recover arrears as
- Giving a grace period for the persons for the

shopping complex and it was exceeded the guarantees of Rs. 627,978, and hence the guarantee money could not be enough to recover arrears.

agreement.

persons who can't be acted as agreement, sealing of stalls for which arrears exceeded the guarantee, had been done.

- (b) A Rs. 506,240 was in arrears as at end of the year under review due from 13 stalls of which rents are recovered by the Jayanthipura sub office. Out of those stalls, 08 stalls had agreements with unspecified time periods and other 05 stalls had no agreements and hence legal Actions had not been able to be got to recover arrears.

Actions should be taken to renew the agreement and recover arrears.

Accepted. Actions will be taken to get legal Actions.

2.2.4 Court Fines and Stamp Duties

Audit Observation

Recommendation

Comments of the Accounting Officer

Receivable stamp duty income for the year 2019 had not been identified and accounted while receivable court fine income as at 31 December 2019 was Rs. 14,863,174.

Actions should be taken to identify, account and recover receivable income.

Actions will be taken to identify.

3 Operating Review

3.1 Performance

The following matters were revealed with regards to duties to be fulfilled by the Sabha in terms of section 3 of the Pradeshiya Sabha Act No. 15 of 1987 such as regularization and control of matters relating to public health, common utility services and public roads, healthy environment of the public, amenities and welfare etc.

(a) By Laws

Audit Observation

Recommendation

Comments of the Accounting Officer

Actions had not been taken to gazette 10 by laws passed by the sabha.

Passed by laws should be gazette.

It has sent to the government printing department on 27 February 2020.

(b) Actions Plan-----
Audit Observation

Recommendation

Comments of the
Accounting Officer-----
Actions plan had not been prepared including the matters according to the paragraph 04 of the circular no PED/RED/01/04/2014/01 dated 17/02/2014.-----
Actions plan should be prepared in accordance with the circular.-----
All had been included for the 2020.**(c) Solid Waste Management**-----
Audit Observation

Recommendation

Comments of the
Accounting Officer-----
Actions had not been taken to confirm the ownership of the land in which garbage is being discarded for a long time and concentration had not been given to make a regular methodology for garbage discarding.-----
Actions should be taken to confirm the ownership of the land and regular methodology for the garbage management should be made.-----
Request has been made for getting ownership. Digestible garbage is being transported to Kaushima Machine of Lankapura Pradeshiya sabha.**(d) Sustainable Development Goals**-----
Audit Observation

Recommendation

Comments of the
Accounting Officer

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- (i) Although Sabha had been aware about sustainable development goals introduced by the United Nations Organization, goals relating to Sabha had not been identified correctly out of that goals and there was no methodology for collecting data to measure goals and targets. Financial Provisions for achieving the sustainable development targets in year 2017, 2018, 2019 had not been identified. Methodology for training the personnel of the entity for achieving targets and other state institutions which should be get connected to achieve targets had not been identified.

Identifying the goals relevant to Sabha, making a methodology for collecting data, financial allocation, identifying connected entities should be done.-----
Agreed.

3.2 Human Resources Management

Employee vacancies and surplus

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) 12 vacancies and 03 surpluses in secondary level were existed.	Actions should be taken to revise and fill the approved cadre.	Requests had been made from public service commission to recruit vacancies.
(b) Two officers had been recruited for the heavy machine operator vacancy existing in the approved cadre on casual basis and 07 officers had been recruited for the 04 vacancies existing in the post of field laborer. Further 06 officers had been recruited for the health laborer even though there was a surplus of 05 officers.	Actions should be taken to appoint a permanent officers,	Since employees are not sufficient for performing the duties, it has been sent for approval to increase the cadre.

3.3 Operational inefficiencies

Audit Observation

Cash collected daily by the Jayanthipura sub office had been credited to the Bank of Ceylon account and later it had transferred to people's bank account without opening an account in the people's bank Jayanthipura branch. Due to this reason, a balance of cash in transit was appeared in the bank reconciliation statement in every month.

Recommendation

An account should be opened in people's bank branch.

Comments of the Accounting Officer

Actions will be taken to transfer cash in Bank of Ceylon account maintained by Jayanthipura sub office to people's bank account.

4 Accountability and Good Governance

4.1 Internal Audit

Audit Observation

An adequate Internal audit had not been done for the year under review.

Recommendation

An adequate Internal audit should be done.

Comments of the Accounting Officer

Actions will be taken to do an internal audit for year 2020.

4.2 Audit and Management Committee Meeting

Audit Observation

Only two Audit and Management Committee meetings had been held for the year under review.

Recommendation

Audit and Management Committee meeting should be held.

Comments of the Accounting Officer

Accepted. Actions will be taken to held committee in future.

4.3 Unresolved Observations

Audit Observation

- (a) Actions had not been taken to transfer ownership of the land relevant to the lawyers office were constructed in the magistrates court premises in Hingurakgoda, and tender fees of Rs. 3,465,325 and monthly rental of Rs. 720,000 due from 16 stalls had not been recovered.

Recommendation

Legal Actions should be taken to recover arrears.

Comments of the Accounting Officer

Accepted. Future Actions will be taken soon.

- (b) A leased cab had met an accident in 2015 and insurance claim of Rs. 3,300,000 received to sabha had been deposited in a current account was continually in idle. A balance of Rs. 3,000,000 from full claim had not been received from Sri Lanka Insurance.

Actions should be taken to get full claim.

Lease payment had been over by this and relevant documents had been sent to Department of Local Government to get absolute right to a auction and to buy a new vehicle.