

Hingurakgoda Pradeshiya Sabha

Polonnaruwa District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 01 April 2015 while Financial Statements relating to the preceding year had been submitted on 11 April 2014. The Auditor General's Report relating to the year under review was sent to the Chairman on 30 July 2015.

1.2 Opinion

My opinion is that the financial statements give a true and fair view of the financial position of the Hinguragoda Pradeshiya Sabha as at 31 December 2014 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

Following accounting deficiencies are observed.

- (a) While the value of Land and Buildings belong to the Sabha amounted to Rs.308,518,884 according to the financial statements, value of 30 items shown in the Register of Fixed Assets had not been shown. Land and buildings had not been assessed over a number of years and had not been accounted those values. Due to that, relevant value of Land and Buildings as at 31 December 2014 had been understated.
- (b) Although there is a loan balance of Rs.25,469,046 as at 31 December 2014 out of the loan granted for roads development projects through the Local Loans and Development Fund, it had been shown as Rs.21,178,135 in the financial statements. Due to that, loan capital as at 31 December 2014 had been understated in a sum of Rs.4,290,911 in the Balance Sheet.

- (c) Loan Interest in arrears and the installment of Rs. 909,789 for the year 2011 in respect of the loan granted for the purchase of Road Maintenance Machinery and Equipment had not been shown under Creditors in the Balance Sheet. Due to that, Current Liabilities of the year had been understated to that extent in the Balance Sheet.
- (d) Although the total of Loan Interest and Installments in respect of the loans obtained from the Local Loans and Development Fund during the year 2012 according to the Loans Register was Rs.1,568,764 as at the end of the year 2013, a sum of Rs.1,714,435 had been shown as Creditors, overstating the value of Creditors in a sum of Rs.145,671.
- (e) Although the value of Loans, Loan Installments and Interest as at the end of the year 2013 was Rs.5,265,105, a sum of Rs.6,214,335 had been accounted as value of Creditors, overstating the value of Creditors in a sum of Rs.949,230.
- (f) Although the assessed value of the Hinguraggoda new weekly fair situated in the Children's Park had been shown as Rs.9,200,000 in the Register of Fixed Assets, that value had been shown as Rs.8,058,150 in the financial statements. Due to that, a non-reconciliation in a sum of Rs.1,141,850 was observed.

1.3.2 Lack of Evidence for Audit

Transactions totalling Rs. 371,292,168 could not be satisfactorily vouched in audit due to non-submission of required information to audit.

1.3.3 Accounts Receivable

Information relating to a balance of advances amounting to Rs.84,641 paid to officers were not furnished to audit. This balance was being brought forward from previous years without being settled.

1.3.4 Non Compliances

Following non-compliances with laws, rules, regulations and management decisions were observed in audit.

Reference to laws, rules, regulations and management decisions	Non-compliance
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(a) Stamp Fees (Special Provisions Act No. 12 of 2006	Although a Stamp Fee at the rate of Rs.25 should be recovered from the salaries paid exceeding Rs.25,000 and remitted to the Commissioner General of Inland Revenue, a sum of Rs.9,750 to be recovered relevant to 67 officers during the year under review had not been recovered and remitted to the Commissioner General of Inland Revenue.
(b) Pradeshiya Sabha (Financial and Administrative) Rules of 1988	

(i) Rule 65	A register of the names of defaulters in payment of Industrial Taxes had not been prepared.
(ii) Rule 67	Although Trade License Fees and Industrial Taxes should be recovered based on an annual surveys to carried out and a list prepared including decreases and increases In the number of trading places and industries, such course of action had not been taken relevant to the year under review.
(iii) Rules 203, 214 and 218	Although a full survey should be carried out with regard to the properties of the Sabha, such action had not been taken.

Financial Regulations of the
(c) Republic of Sri Lanka

F.R. 571 (2)

Action had not been taken to clear lapsed deposits amounting to Rs. 651,461 which had elapsed exceeding 02 years from the date of deposit.

2. Financial and Operating Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure for the year ended 31 December 2014 amounted to Rs.2,588,639 as compared with the corresponding excess of revenue over recurrent expenditure revenue for the preceding year amounted to Rs.5,289,651.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information furnished by the Chairman relating to Estimated Revenue, Actual Revenue and Arrears of Revenue relevant to the year under review is shown below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs '000	Rs '000	Rs '000
(i) Rates and Taxes	2,564	1,769	2,080
(ii) Lease Rent	13,009	4,533	1,168
(iii) Licence Fees	4,424	3,530	--
(iv) Warrant Charges and Fines	8,700	6,154	5,697
(v) Other Revenue	14,429	11,948	15,466

3. Operational Review

3.1 Idle/Under-utilized Assets

- (a) Although a cab vehicle used by the Army and handed over back to the Sabha again, had been parked in the Sabha ground over number of years, action had not been either to repair and use it or for disposal properly.
- (b) A Four Wheeled Tractor shown at a value of Rs. 225,000 and which could be used after repairs had been parked in the Sabha ground over a period of about 05 years.

3.2 Operational Inefficiencies

- (a) Action had not been taken for prompt payment of loan installments and interest relevant to loans granted to the Hinguraggoda Pradeshiya Sabha during the past years for Drainage and Sanitary Project, Project for the Purchase of Roads Maintenance Machinery and Equipment and Roads Development Project (Civil Works) through the Local Loans and Development Fund. Loans had been obtained without considering the progress relating to repayment of loans already obtained and the feasibility or repayment of loans.
- (b) Although shortages of 90 categories of goods had been revealed according to the Board of Survey carried out during the year 2014, action had not been taken to inquire into those shortages and make recoveries from those responsible in terms of Pradeshiya Sabha Rule 204.
- (c) Number of books taken away by the members of the Minneriya Library prior to the year 2006 and not return was 692. Necessary course of action had not been taken get back the books from the members who had taken away the books or to recover the losses.

- (d) Although the balance according to the bank statement relating to a bank account which had been dormant over a period of about 07 years was Rs. 1,724, the balance of that account had been shown as Rs. 14,168 in the financial statements. While it was not possible to ascertain reasons for this difference, bank reconciliation statements had not been prepared in respect of this bank account.

3.3 Budgetary Control

Variations in a range between 20 to 68 per cent were observed between the actual revenue and estimated items of revenue for the year under review, due to preparation of the budget without proper forecast with regard to revenue sources of the Sabha.

3.4 Solid Waste Management

While a proper waste management procedure was not in operation in the area of authority of the Sabha during the year under review, garbage were being dumped into a jungle area improperly. It was observed that it had become a challenge to wild life as those have taken as foodstuff by the animals.

3.5 Internal Audit

While an internal audit had not been carried out in the Sabah during the year under review and the previous years, an adequate internal audit had not been carried out by the Local Government Department as well.

4. Systems and Controls

Special attention is needed in respect of the following areas of systems and Controls.

- (a) Accounting
- (b) Internal Control
- (c) Revenue Administration
- (d) Vehicles Utilization