

Horowpatana Pradeshiya Sabha

Anuradhapura District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 08 June 2015 while Financial Statements relating to the preceding year had been submitted on 19 May 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 11 July 2015.

1.2 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 Horowpatana 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

(a) While 12 Commercial Locations in the area of authority of the Sabha had been leased out for Rs. 3,098,600 during the year under review, Lease Rent Revenue shown in the financial statements had been Rs. 2,331,266. Accordingly, that revenue had been understated in a sum of Rs.767,334.

(b) Three vehicles valued at Rs. 10,218,160 received to the Sabah during the year under review and value of two vehicles of which value had not been ascertained had not been assessed and taken to accounts.

- (c) Audit Fees for the year under review had not been assessed and provisions had not been made in the financial statements.
- (d) Value of 23 agreements amounting to Rs. 13,939,312 entered into during the year 2010, but works not performed up to the year under review had been shown as Works Debtors and Creditors in the financial statements.
- (e) Tender Deposits amounting to Rs. 1,134,000 furnished by 20 bidders who had refused acceptance of tenders awarded during the period from the year 2003 to 2013 had not been taken to revenue.

1.3.2 Lack of Evidence for Audit

Documents to confirm ownership/documents to confirm existence/detailed schedules with regard to 12 items of assets and liabilities totalling Rs.91,774,614 were not submitted to audit.

2. Financial and Operating Review

2.1 Financial Results

According to the Financial Statements presented, operational surplus of the Sabah for the year ended 31 December 2014 had been Rs.1,071,814 as compared with the corresponding operational surplus amounted to Rs. 78,947 in the preceding year.

2.2 Revenue Administration

2.2.1 Rates

Action had not been taken to impose a tax as Rates on the basis of annual value of properties situated in the regions declared as developed areas of authority of the Sabha in terms of Section 134(I) of the Pradeshiya Sabha Act No. 15 of 1987.

2.2.2 Lease Rent

Recovery of Stalls Rent in Arrears totaling Rs.1,373,330 as at 31 December 2014 was in unpredictable condition due to non-existence of the relevant parties.

2.2.3 License Fees

While the Trade License Fees due to be recovered from 284 Trading Institutions in the area of authority since a period which could not be identified as at as at 31 December of the year under review was Rs.1,043,750, recovery of arrears was unpredictable as the present existence of those Trade Institutions had not been confirmed.

3. Operational Review

3.1 Operational Inefficiencies

- (a) Action had not been taken to vest the ownership of lands belong to the Sabha as at 31 December 2013 in terms Restructure of Local Government Circular No.03.
- (b) While all roads situated within the area of authority of the Sabha had not been identified and registers had not been prepared having listed according to a proper order as stated in Circular No.06 Restructure of Local Government No.PL/09/1/16, all roads belong to the Sabha had not been published and notified in the Gazette.
- (c) The Hand Tractor and a Trailer received by the Sabha long ago had been running even in December 2014 without being registered contrary to Section 2(1) of the Motor Traffic Act (Chapter 203).
- (d) Although 10 percent of Stamp Fees out of the Trade License Fees collected by the Sabha should be remitted to the Commissioner General of Inland Revenue in terms of Section 3 of the Stamp Fees (Special Provisions) Act No. 12 of 2006, action had not been taken accordingly with regard to Stamp Fees of Rs.84,594 based on the Trade License Fees amounting to Rs.845,940 recovered by the Sabha during the year under review.

- (e) Although a survey should be carried out with regard to book, periodicals newspapers and other library materials and equipment belong to the library maintained by the Sabha in terms of Directions Circular No.2004/PS/01 dated 26 January 2004 of the National Libraries and Documentation Services Board, such a survey had not been conducted.

3.2 Idle and Underutilized Physical Assets

While 06 vehicles and 02 tractors belong to the Sabha remained idle in the Sabha ground without being used and getting corroded, action had not been taken either to repair and use or to get an income to the Sabha by disposal those vehicles.

3.3 Identified Losses

While a sum of Rs. 218,015 had been spent as Lawyers' Fees in respect of cases files against the Sabha due to improper practices in implementation of Construction of Ponds Project during prior years and in leasing out meat stalls during the year 2012, a sum of Rs. 325,176 had to be paid to the aggrieved party according to a case judgment in the Anuradhapura High Courts.

4. Systems and Controls

Special attention is needed in the following areas of controls.

- (a.) Accounting
- (b.) Revenue Administration
- (c.) Assets Management