

**Habaraduwa Pradeshiya Sabha  
Galle District**

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**1. Financial Statements**

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**1.1 Presentation of Financial Statements**

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Financial Statements for the year 2017 had been presented for audit on 23 March 2018 and the report of the Auditor General on those financial statements had been issued to the Chairman on 08 September 2018.

**1.2 Qualified Opinion**

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In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Habaraduwa Pradeshiya Sabha as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles..

**1.3 Comments on Financial Statements**

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**1.3.1 Accounting Deficiencies**

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The following deficiencies were observed.

- (a) A sum of Rs.439,800 spent on modernization of Head Office and Rs.1,558,745 spent on the construction of sanitary lavatory system of Koggala Crematorium during the year under review had not been capitalized.
- (b) The value of the Sirimavo Bandaranayaka Theatre and buildings attached to buildings of Super Market Complex, Ahangama constructed by the District Secretariat and subsequently handed over to the Sabha had not been valued and not brought to account.
- (c) 2,000 litre capacity 02 water tanks received from the Department of Local Government in 2017 had neither been assessed nor brought to account.
- (d) Value of 65 litre 04 compost bins purchased by the Sabha at Rs.130,000 during the year under review had not been brought to account.
- (e) A sum of Rs.5,919,081 payable to the Local Government Pension Fund as at 31 December of the year under review had not been brought to account as creditors.
- (f) Provisions had not been made to meet the audit fees during the year under review.
- (g) Although the loan obtained from Local Credit Development Fund had been paid out, a balance of Rs.304,869 is shown in financial statements.

- (h) Purchasing price of 41 units of items which were auctioned at Rs.491,430 had not been deleted from Accounts.
- (i) Stamp fees receivable during th year had not been brought to account.
- (j) A sum of Rs.11,550,000 receivable as lumpsum money in respect of Public market stalls in the new trade complex of Ahangama and stall rent and fines amounting to Rs.264,600 had not been brought to account.

### **1.3.2 Unreconciled Accounts**

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The total of variance between the balance of 09 items of Accounts amounting to Rs.132,564,922 shown in financial statements and the balances shown in related documents totalled at Rs.101,019,120.

### **1.3.3 Suspense Accounts**

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Action had not been taken even during the year under review to identify and settle the debit balance of the suspense Account amounting to Rs.601,430 being brought forward from 2008.

### **1.3.4 Accounts Receivable & Payable**

#### **(a) Accounts Receivable**

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Action had not been taken even during the year under review to settle 05 account balances of Rs.1,827,260 receivable which is being brought forward unchanged in financial statements over a number of years.

#### **(b) Accounts Payable**

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Action had not been taken to settle a sum of Rs.1,410,752 payable to the Ceylon Electricity Board being brought forward unchanged in the financial statements from 2008 and Value Added Tax of Rs.1,480,426 payable to the Department of Inland Revenue.

### **1.3.5 Lack of Written Evidence required for Audit**

#### **Non Presentation of Information for Audit**

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Due to non presentation of required information, it was not possible to verify satisfactorily at the auditing of 11 items of accounts, the value of which amounts to Rs.147,621,562..

### 1.3.6 Non-Compliance with Laws, Rules, Regulations and Management Decisions

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<b>Reference to laws, rules, regulations &amp; management decisions</b>	<b>Value</b>	<b>Non Compliance</b>
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	Rs.	
<b>(a) Pradeshiya Sabha Rules (financial and Administration) 1988</b>		
(i) Rule 33	-	Lists on individuals who defaulted the payment of rates and taxes and list of warrants of forfeiting property had not been prepared.
(ii) Rule 145	-	Neither prepared detailed statement on repayable deposits nor adjusted the same with the ledger balance.
<b>(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka</b>		
(i) FR 395(d)	-	Bank reconciliations for the period from July 2017 to April 2018 of the General Bank Account of the Sabha had not been prepared
(ii) FR 570 & 571(1)(2)	1,922,347	Action had not been taken to deal with 90 deposit balances exceeded the period of 02 years.
(iii) FR 1645 & 1646	-	Daily running charts in respect of 12 vehicles of the Sabha which were in a running condition had not been prepared nor monthly performance Summaries submitted for auditing.
<b>(c) Circular No.02/2015 dated 10 July 2015 of the Secretary to the Treasury and the Secretary to the Ministry of Fiance.</b>	-	Action had not been taken either to dispose of or to take other alternative actions in respect of 09 vehicles owned by the Sabha.

- (d) Circular No.PE/01/01 dated 17 August 2010 of the Ministry of Power and Energy - Approval had not been taken for street lamps fixed during the year under review.

## **2. Financial Review**

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### **2.1 Financial Results**

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According to financial statements presented for auditing the excess of the recurrent expenditure over revenue of the Sabha for the year ended 31 December 2017 amounted to Rs. 223,262 as against the excess of the recurrent expenditure over revenue amounted to Rs.5,913,388.

### **2.2 Financial Control**

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The Following observations were made.

- (a) Acceptance of the money, depositing the same in the Safe and daily banking, maintaining counterfoils and formal safe-keeping of counterfoils and preparation of bank reconciliation had been entrusted to one and the same officer.
- (b) Action had not been taken to correct the unidentified credit balance of Rs.533,798 included in the bank reconciliation prepared last with regard to the General Account of the year under review.

### **2.3 Revenue Administration**

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#### **2.3.1 Estimated Revenue, Billed Revenue, Collected Revenue and Revenue in Arrears**

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Information relating to estimated revenue, billed revenue, collected revenue and revenue in arrears of the year under review and the preceding year are as follows;

Source of Revenue	Estimated Revenue	2017			Total in arrears as at 31 Decemb.	2016			Total in arrears as at 31 Decemb.
		Billed Revenue	Collected Revenue			Estimated Revenue	Billed Revenue	Collected Revenue	
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	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
i. Rates & Taxes	3,814,100	3,705,913	3,392,765	7,319,814	7,437,265	5,088,103	18,553,860	7,006,666	
ii. Lease Rent	4,829,200	5,078,693	4,975,685	155,027	51,350,250	4,402,135	4,530,000	52,019	
iii. Licence fee	5,073,250	6,374,386	6,353,986	51,000	4,702,150	3,854,912	3,866,062	30,600	
iv. Other Revenue	63,808,450	15,832,955	16,327,637	29,048,021	52,541,650	16,323,436	20,160,085	29,542,703	
	77,525,000	30,991,947	31,050,073	36,573,862	116,031,315	29,668,586	47,110,007	36,631,988	
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### 2.3.2 Performance in Revenue Collection

During the year under review Estimated Revenue was Rs.77,525,000, Billed Revenue was Rs.30,991,947, Collected Revenue was Rs.31,050,073 and Revenue in Arrears was Rs.36,573,862.

### 2.3.3 Rates & Taxes

Out of Rs.10,712,579 recoverable along with Billed Revenue of the year under review and balance in arrears remained at the beginning of the year, recovery had been Rs.3,392,765 and balance in arrears at the end of the year was Rs..7,319,814.

### 2.3.4 Lease Rent

Estimated Revenue of the year under review was Rs..4,829,200 while Billed Revenue was Rs.5,078,693 out of the Estimated Revenue Billed Revenue was 105 percent and year end balance in arrears was Rs.155,027.

### 2.3.5 Licence fee

Estimated Revenue of the year under review was Rs.5,073,250 while the Billed Revenue was Rs.6,374,386. Further recoverable balance in arrears at the end of the year was Rs.51,000.

### 2.3.6 Court Fines and Stamp Fees

Stamp fees of Rs.14,642,995 and Court Fines of Rs.5,158,832 were receivable as at 31 December 2017 from the Chief Secretary and other Authorities of the Provincial Council.

### **3. Operating Review**

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#### **3.1 Performance**

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Matters revealed in the fulfillment of activities which were to be performed by the Sabha with regard to streamlining and maintaining of public health, common utility services and public roads as well as satisfaction and welfare of the people under section 3 of the Pradelshiya Sabha Act are as follows:

##### **(a) Action plane**

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No Annual Action Plan was prepared for activities to be performed in keeping with by-laws enacted by the Sabha.

##### **(b) Solid Waste Management**

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The following observations were made.

- (i) A waste management project was initiated in a land owned by the Bimbarama Vihara, Eluketiya which was obtained by the Sabha on Ten-year Lease from 01 January 2007 to 31 December 2016. However waste management was not undertaken in that land from 02 December 2015 due to objections raised by residents of the area. The machinery and equipment worth Rs.750,000 remained idle at the sub office, Ahangama.
- (ii) No long term plan had been prepared for waste management as per Guideline No.PL/1/15/12 issued by the Secretary, Ministry of Local Government and Provincial Councils.
- (iii) By the year under review there was not a specific location for waste disposal and the solid wastes were temporarily dumped into abandoned "Hirigal" pits on a land owned by Liyanagoda Viharaya in Habaraduwa. Due to dumping of waste into water filled pits a terrible bad smell was emitted risking the health of students of primary school bordering that land and residents living nearby.
- (iv) 79 waste separation bin sets had been made available to the Sabha for distribution free of charge to promote systematic waste disposal both at households and at state institutions. However 75 waste disposal sets and 208 compost bins out of 250 made available at concessory rate under the same provisions, were remained at the store even by April 2018. Accordingly the desired objectives couldn't be fulfilled.

(c) **Sustainable Development Targets**  
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The Sabha had not formulated long-term plans to enhance the living standard and health condition of the people within the Pradeshiya Sabha area through Globle Indicators for achieving sustainable Development Goals and targets included in the agenda for sustainable Development 2030.

**3.2 Management Inefficiencies**  
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The following observations were made.

- (a) Action had not been taken to repair 02 tractors and one cab for 20 years.
- (b) Income Report, Local Credit Register, Debtor Register P.S.07 report and Damage/Loss Register which are to be maintained compulsorily, had not been maintained.

**3.3 Human Resources Management**  
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Following observations were made.

- (a) According to cadre plan there were 16 excess employees while 20 posts remained vacant. However action had not been taken to regularize the excess posts or to make recruitments to fill vacancies.
- (b) A sum of Rs.2,966,780 had been spent from the Pradeshiya Sabha Fund in 2017 for payment of salaries and allowance to 09 Substitutite employees recruited in contrary to Public Administration Circular No.25/2014.
- (c) Two employees had been recruited on 24 October 2014 to the post of Electrical Labourer which being a post not approved by the Department of Management Services and paid a Rs..772,272 as salaries upto 31 December 2017.

**3.4 Operating Inefficiencies**  
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Action had not been taken to rent out a a stall in the ground floor of the new Trade Complex owned by Sub Office, Ahangama.

### **3.5 Assets Management**

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#### **3.5.1 Idle and Under Utilized Assets**

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The following observations were made.

- (a) No action had been taken either to repair and use or dispose of the Bowser which remained inoperative since 2017 and parked in the premises of Ahangama Sub office.
- (b) 03 tractor trailers of the Sabha remained inactive and parked at the Sabha and Sub Offices.
- (c) Non utilized cement mixture had been remained idle in the sub Office premises, Ahangama since 2013 and no information relating to this machine were available.

#### **3.5.2 Assets Ownership of which not acquired**

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No action had been taken even by the end of the year under review to transfer ownership of 04 vehicles used by the Sabha.

## **4. Accountability and Good Governance**

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### **4.1 Budgetary Control**

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As considerable variance as follows was observed between budgetary and actual revenue , it was observed that budget has not been utilized as an effective financial management mechanism.

- (a) Savings of Rs.23,353,773 under 07 items of expenditure were observed while the total of adverse variance of 02 item of expenditure amountd to Rs.698,550.
- (b) Total of adverse variance of 04 items of revenue were Rs.48,083,884 the value of which ranged between 03 percent – 46 percent.

### **4.2 Internal Auditing**

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In terms of Financial Regulations 133 and 134 of the Republic of Sri Lanka and the Circular No. දළභා/යහ/01/නා.ව.ලේ dated 24 February 2014 of the Local Government Commissioner an Internal Auditor had been appointd by the Sabha. However no sufficient internalo Auditing had been performed.

## **5. Systems and Controls**

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Shortcomings observed at auditing were submitted through audit queries to the attention of the Sabha and special attention shall be paid to the below described fields of systems and controls.



<u>System</u>	<u>Defects</u>
(a) Fixed Assets	Non maintaing Fixed Assets Register.
(b) Staff Management	(i) Vacancies had not been filled .
	(ii) No action had been taken to recover credit balance.
(c) Collection of Revenue	(i) Non-recovering of rvenue in arrears
	(ii) Property Forfeiting Officers had not been appointed to recover rates and taxes in arrears.
	(iii) Waste tax had not been rcovered..
(d) Management Inefficiencies	(i) Bank reconcilations had not been prepared .
	(ii) Non maintainance essential documents.
(e) Solid Waste Management	(i) Suitable arrangement had not been at hand to manage solid waste
	(ii) Action had not been taken to distribute waste bins..