

**Horowpathana Pradeshiya Sabha
Anuradhapura District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented for audit on 29 March 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 06 June 2019 and 02 July 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Horowpathana Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principle.

1.3 Basis for Qualified Opinion

(a) Accounting Policies

Audit Observation	Recommendation	Comments of the Accounting Officer
Accounting policies that the Sabha to be adhered, had not been disclosed in financial statements.	Accounting policies should be disclosed in financial statements.	Not submitted.

(b) Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) Sub office land and building valued Rs. 100,000 as per the fixed assets register, had not been brought to account.	Relevant assets should be brought to account correctly.	Not submitted
(ii) The value of 05 lands and one building amounting Rs. 4,064,278 as the fixed assets register, had not been brought to account.	Relevant assets should be brought to account.	Not submitted

(iii)	The value of Braille Machine of Rs. 755,166 received for the Pilisaru Project, had not been brought to account.	Relevant assets should be brought to account.	Not submitted
(iv)	The value of Huller Machine, received for the Pilisaru Project, had not been valued and brought to account.	Relevant assets should be brought to account.	Not submitted
(v)	The value of buildings that had been constructed, and computer and other equipment that had been given under the PuraNeguma project amounting Rs. 44,245,009 from 2016, had not been brought to account.	Relevant assets should be brought to account.	Not submitted
(vi)	The value of galvanised flag bars provided by the Department of Divineguma Development in 2014 amounting Rs. 160,536 had not been brought to account.	Assets should be brought to account.	Not submitted
(vii)	The value of 06 cars and carts owned by the Sabha amounting Rs. 54,790,929 had not been brought to account.	Assets should be brought to account.	Not submitted
(viii)	Salary Reimbursement value in the year under review had been overstated by Rs. 400,647.	Assets should be brought to account.	Not submitted
(ix)	The value of the building which had been constructed by spending Rs. 4,731,400 for the Pilisaru Project had not been brought to account.	Assets should be brought to account.	Not submitted
(x)	Provisions had not been provided for the audit fees relating to the year under review.	Assets should be brought to account.	Not submitted

(c) **Unreconciled Accounts****Audit Observation****Recommendation****Comments of the Accounting Officer**

Values in shop tender deposit account and deposit register as at 31 December of the year under review had been differed by Rs.82,500.

Differences in the balances should be reconciled and rectified.

Not submitted.

(d) **Accounts Receivable and Payable****Audit Observation****Recommendation****Comments of the Accounting Officer**

- (i) Although 06 receivable account balances totaling Rs. 8,055,690 as at 31 December in the year under review, had continued to exist over 06 years, action had not been taken to recover those balances even in the year under review.

Action should be taken to charge the balance to be received

Not submitted.

- (ii) Although 05 payable account balances totaling Rs. 825,145 as at 31 December in the year under review, had continued to exist over 08 years, action had not been taken to settle those balances even in the year under review.

Action should be taken to settle the balance to be paid

Not submitted

(e) **Lack written evidences for the audit****Audit Observation****Recommendation****Comments of the Accounting Officer**

- (i). Since Asset documents, valuation certificates, detailed schedules, age analysis and confirmation letters relating to 10 account subjects amounting Rs. 121,258,706 had not been presented, it could not be satisfactorily verified in audit.

Necessary written proof shall be presented to prove the value stated in the financial statement

Not submitted

- (ii) The distribution registers showing the way of distributing the building materials purchased in the year under review amounting to Rs. 200,680 and beneficiaries registers had not been presented to the audit. Necessary written proof shall be presented to prove the work performed. Not submitted.

1.4 Non compliance

Non – Compliance with laws, Rules and regulations

Reference to Laws, Rules and Regulations	Non- Compliance	Recommendation	Comments of the Accounting Officer
(a) Pradeshiya Sabha (Financial and Administrative) Rules of 1988.			
(i) Rule 33	List of people who neglect payment of assessments and warrants for prohibition of property had not been prepared at the end of each quarter .	Action should be taken in terms of Rule 33.	Not submitted
(ii) Rule 59	No survey had been conducted on business and industry taxes in the Sabha area.	Action should be taken in terms of Rule 59	Not submitted
(iii) Rule 217 and 218	A register had not been maintained relating to lands and buildings owned by the Sabha and all lands and buildings had not been inspected once in every year.	Action should be taken in terms of Rule 217 and 218.	

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

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|------|---|---|--|----------------|
| (i) | FR. 257 | Rs. 1,385,409 had been paid for 11 vouchers without certifying. | Action should be taken to make the payments following the certification of vouchers. | Not submitted |
| (ii) | FR 571 | Actions had not been taken relating to deposits that exceed more than two years. | Action should be taken according to FR 571 | Not submitted. |
| (e) | Public
Administration and
Management Circular

Public
Administration
Circular No. 30/2016
dated 29 December
2016 | A fuel burning test had not been done for 07 vehicles. | Action should be taken according to the Circular. | Not submitted. |
| (f) | Treasury Circular No.
IAI/2002/02 dated
28 November 2002 of
the Secretary to
Treasury | A separate fixed assets register on computer accessories and software had not been maintained | Action should be taken according to the Circular. | Not submitted. |

02. **Financial Review**

2.1 **Financial Results**

According to the financial Statements presented for the year ended 31 December 2018, the revenue exceeding recurrent expenditure was Rs. 23,070,993 and corresponding to the previous year revenue exceeding recurrent expenditure was Rs. 3,397,859.

2.2 Revenue Administration

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

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears revenue furnished for the year under review and previous year are shown below.

Source of Revenue	2018				2017			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assessment tax	1,326,400	1,511,392	1,343,325	1,226,839	447,950	482,626	576,146	1,058,772
Rent	5,074,600	3,851,465	3,546,771	7,051,995	5,127,800	4,744,588	2,002,713	6,747,301
License Fees	713,000	484,050	484,050	1,033,300	902,600	942,554	90,746	1,033,300
Other revenue	28,053,940	51,240,865	49,658,263	5,064,468	28,876,500	17,037,886	13,556,020	3,481,866
Total	35,167,940	57,087,772	55,032,409	14,376,602	35,354,850	23,207,654	16,225,625	12,321,239

2.2.2 Performance in collection of Revenue

Audit Observation

The arrears revenue of Rs. 12 Million as at 31 December of previous year had been Rs. 14 Million by the year under review.

Recommendation

Action should be taken to collect arrears revenue.

Comments of the Accounting Officer

Not submitted.

2.2.3 Rent

Audit Observation

- (a) As per the Local Government Circular of the Commissioner General of Local Government bearing No. 1980/46 dated 31 December 1980, shops had not been valued once in 05 years.

Recommendation

Action should be taken to do a new valuation for shops in terms of the Circular and to charge the rent upon the relevant valuations.

Comments of the Accounting Officer

Not submitted

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|-----|---|--|---------------|
| (b) | Actions had not been taken to renew shop agreements in the common market. | Action should be taken to sign agreements upon new valuations. | Not submitted |
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2.2.4 Other Revenues

Audit Observation

Recommendation

Comments of the Accounting Officer

Although the revenue of Rs. 20,966,250 had been received for 139,775 sand cubes as per the sand transport license issued from July to December 2018, the revenue of Rs.19,909,700 had been received for 132,73 sand cubes as per the receipts. Therefore Rs. 1,056,550 had been short received for 7,043 sand cubes.

Revenue receivable should be charged.

Not submitted

2.2.5 Court Fines and Stamp Fees

Audit Observation

Recommendation

Comments of the Accounting Officer

There had been Rs. 1,502,143 of court fines and Rs. 3,198,025 stamp fees receivable as at 31 December 2018.

Action should be taken to recover the relevant arrears.

Not submitted.

03. 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 Sabha Act, are as follows.

(a). By-Laws

Audit Observation

Recommendation

Comments of the Accounting Officer

By – Laws had not been imposed to perform 28 main matters under

By – Laws should be imposed.

Not submitted.

Section 126 of the Pradeshiya Sabha Act.

(b). **Action Plan**

Audit Observation

Recommendation

Comments of the Accounting Officer

An annual action plan had not been prepared.

An annual action plan should be prepared.

Not submitted

(c) **Solid Waste Management**

Audit Observation

Recommendation

Comments of the Accounting Officer

Waste management had not been done properly. No revenue had been earned by producing and selling fertilizer from the collected decay materials

A methodology should be set up to produce and sell the compost fertilizer and collect revenue and to dispose solid waste in proper manner.

Not submitted.

(d) **Sustainable development Goals**

Audit Observation

Recommendation

Comments of the Accounting Officer

The Sabha had not been aware of the Agenda 2030 on the Sustainable Development Goals adopted by the United Nations Organization.

Should be made aware on the agenda and necessary actions should be taken accordingly.

Not submitted

3.2 **Management Inefficiencies**

Audit Observation

Recommendation

Comments of the Accounting Officer

When lending the machines on rent, it had not written in the relevant documents and Technical Officers had not

Lending the machines with the approval, charging fees on hourly basis when lending and receiving the

Not submitted

certified the number of Meter hours or Kilometre hours in which the relevant work has been done.

machines and maintenance of documents in formal manner etc. should be done .

3.3 Human Resource Management

Audit Observation

Recommendation

Comments of the Accounting Officer

(a) There had been 19 vacancies for 11 posts in the Sabha by 31 December of the year under review and there had been 02 excess posts.

Action should be taken to fill the vacancies.

Not submitted

(b) Security deposits had not been obtained from all officers of the Sabha who to be deposit the security.

Action should be taken to obtain security from officers who to be deposit security.

Not submitted.

3.4 Management Inefficiencies

Audit Observation

Recommendation

Comments of the Accounting Officer

As per the Local Government Circular No. 1980/46 dated 31 December 1980 of the Commissioner of Local Government, properties should be valued in every 05 years, but the Pradeshiya Sabha had not done a property valuation after 1994 and hence action had not been taken to identify new lands and to charge assessment for those properties .

Action should be taken to valuate properties in terms of the Circular and to charge assessment for new constructions based on temporary valuations .

Not submitted

3.5 **Assets Management**

3.5.1 **Assets not transferred**

Audit Observation	Recommendation	Comments of the Accounting Officer
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Action had not been taken to transfer 14 lands which are maintained by the Sabha.	Action should be taken to transfer the relevant lands.	Not submitted

3.5.2 **In active / underutilized assets**

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) The Tractor worth Rs. 2,175,000, received to the Sabha in 2016 had been parked in the Sabha premises without any use.	The relevant tractor should be checked and necessary actions should be done.	Not submitted
(b) 07 vehicles parked in the Sabha premises had been underutilized by 31 December of the year under review and actions had not been taken to repair and use these vehicles or to discard the vehicles	Action should be taken to inspect and repair these vehicles or to discard.	Not submitted

3.6 **Procurement**

Procurement Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
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A Procurement Plan had not been prepared for the year under review.	A procurement plan should be prepared .	Not submitted.

4. **Accountability and Good Governance**

Implementation of Audit and Management Committee

Audit Observation

Recommendation

**Comments of the Accounting
Officer**

 In accordance with Audit and Management Circular No DMA/ 2009 (1)(i) dated 28 January 2016, Audit and Management Committees had not been held in the year under review.

 Action should be taken according to the Circular

 Not submitted