

Hanguranketha Pradeshiya Sabha
Nuwaran Eliya District

1 Financial Statements

1.1 Presentation of the Financial Statements

The financial statements of the year 2019 had been presented to the audit on the 28th of February 2020 and the summary report of the Auditor General was sent to the chairman on 21st of May 2020 and the detailed management report sent on 18th of June 2020.

1.2 The Qualified Opinion

I am in an opinion that, except the effect on the financial statements of the matters referred under the paragraph of the basis for a qualified opinion in this report, the financial statements had been prepared in accordance with generally accepted accounting principles and give a true and fair view of the state of affairs of the Hanguranketha Pradeshiya Sabha as at 31st of December 2019 and financial results of its operations for the year then ended.

1.3 The basis for a qualified opinion

(A) Accounting deficiencies

Audit observation	Recommendation	Accounting Officer's Commentary
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(i) As at 31 st of December of the year under review, the cash book balance was Rs. 8,719,697 but on the balance sheet it was presented as Rs. 8, 882,450.	Accounting should be done correctly	No comments.
(ii) Accumulated Fund and the outstanding garbage tax had been increased by Rs.121,850 due to the non-compliance of the relevant notes to the accounts to correct the double taxation of garbage tax as per Journal No. 14	Accounting should be done correctly	No comments.
(iii) Industrial creditors had decreased by Rs. 200,000 and expenditure creditors had increased by Rs. 200,000 due to Misalignment of accounts in the payment of Rs. 100,000 to previous year industrial creditors	Accounting should be done correctly.	No comments.

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| (iv) | In the year 2018, a journal entry was written to correct the overdraft of Rs. 97,956 but the relevant double entries were not matched in the accounts. | Accounting should be done correctly. | No comments. |
| (v) | An amount of Rs. 2,150,000 was accounted for as annual expenditure for 43 unfinished projects. | Accounting should be done correctly. | No comments. |

(B) Unreconciled Accounts

----- Audit observation -----	Recommendation -----	Accounting Officer's Commentary -----
According to the documents, the outstanding garbage tax revenue was Rs. 327,750 but according to the account the value was Rs. 442,450 which was a difference of Rs. 114,700.	Actions should be taken to identify the difference and correct.	No comments.

(C) Receivable accounts and payable accounts.

----- Audit observation -----	Recommendation -----	Accounting Officer's Commentary -----
(i) Industrial debt balance due over a period of one year was Rs. 100,000.	Actions should be taken to recover the receivable balances	No comments.
(ii) The credit balance due over a period of one year was Rs. 1,801,217.	Actions should be taken to settle the payable balances	No comments.

(D) Lack of written evidence required for the audit

Audit observation	Recommendation	Accounting Officer's Commentary
(i) Schedules, Deposits and Advance Documents relating to 07 account balances amounting to Rs. 12,260,318 were not submitted for audit	Evidence confirming the account balance shown in the financial statements is required.	No comments.
(ii) Contractors' Deposit Account was shown the debit balance of Rs. 304,690, the reasons for this were not explained.	Evidence confirming the account balance shown in the financial statements is required.	No comments

1.4 Non-compliance

Non-compliance with laws, rules, regulations and management decisions

References to rules and regulations and management decisions	Non-compliance	Recommendation	Accounting Officer's Commentary
(a) Rule No 218 of 1988 Pradeshiya Sabhas (Financial and Administrative)	No survey had been made of the lands and buildings owned by the sabha.	Actions should be taken according to relevant rules.	No comments.
(b) Circular No. 1988/22 of the Commissioner of Local Government dated 17 th of May 1988	Property valuation for assessment taxes was last done in 2013.	Circular provisions should be followed.	No comments.

2. Financial Review

2.1 Financial Results

According to the presented financial statements, excess of income over recurrent expenditure for the year ending 31st of December 2019 amounted to Rs.1,124,364. as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 2,517,554.

2.2 Revenue Administration

2.2.1 Estimated Income, Billed Income, collected Income and arrears Income

Details of Estimated Revenue, Billed Income, Accumulated Income and Arrears of Revenue for the year under review are as follows.

Source of income	2019				2018			
	Estimated income	billed income	Income collected	Total arrears as of December 31st	Estimated income	billed income	Income collected	Total arrears as of December 31st
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assessment and Taxes	3,009,900	3,362,314	1,461,841	1,900,473	2,653,600	2,867,853	1,170,580	2,281,153
Rent	5,344,300	4,064,347	2,002,306	2,062,041	5,232,000	3,514,595	2,865,909	2,496,322
License fee	2,785,000	1,982,480	1,982,840	-	2,638,000	2,222,141	2,222,141	-
Other Income	12,987,300	3,812,871	3,143,074	669,797	14,336,800	12,574,779	5,778,730	7,155,791
total	24,126,500	13,222,012	8,590,061	4,632,311	24,860,400	21,179,368	12,037,360	11,933,266

2.2.2 Performance of revenue collection

Audit observation

An amount of Rs.2, 214,537 in arrears from 12 stalls at the Hanguranketha Public Market Complex for a period of four years to 09 years had not been recovered.

Recommendation

Actions should be taken to recover the arrears income according to the agreement.

Accounting Officer's Commentary

No comments.

2.2.3. Court fines and stamp fees

Audit observation

Court fines were Rs. 286,587 and land transfer stamp duty was Rs. 4,780,200 should be obtained.

Recommendation

Should take actions to collect the relevant money.

Accounting Officer's Commentary

No comments.

2.2.4 Surcharges

Audit observation

As at 31st of December 2019, Rs. 57,512 was to be recovered from the surcharges imposed by those responsible in previous years under the provisions of the Pradeshiya Sabha Act.

Recommendation

Should take actions to recover.

Accounting Officer's Commentary

No comments.

3 Operational review

3.1 Performance

Followings are the observations on the performance of the functions of the Council under the provisions of Section 3 of the Pradeshiya Sabha Act, the regulation and control of public health, public utility services and public roads, the welfare, convenience and welfare of the public.

(A) Procurement Plane

Audit observation

Procurement of Rs. 2,634,297 had been made during the year under review but no procurement plan had been prepared.

Recommendation

The procurement plan should be prepared.

Accounting Officer's Commentary

No comments.

(B) Sustainable development goals

Audit observation

Recommendation

Accounting Officer's
Commentary-----
While the Pradeshiya Sabha had not adequately aware about Sustainable development objectives and targets and the specific tasks in this regard had not done in the year under review.-----
Identify the Sustainable Development Goals and Objectives and should take actions to make plans accordingly.-----
No comments.

3.2 Human Resource Management

Audit observation

Recommendation

Accounting Officer's
Commentary-----
There were 16 vacancies for 10 posts.-----
Should take actions to fill the vacancies.-----
No comments.

4 Accountability and good governance

Budgetary Control-----
Audit observation

Recommendation

Accounting Officer's
Commentary-----
According to the rule 193 of pradeshiya Sabha finance and administration rules of 1988, statement of matter describing for the variances among actual revenue and expenditures and estimated finance allocations had not been presented for describe the variances of the year under review.-----
Finance and administrative rules should be followed.-----
No comments.