

Haburaduwa Pradeshiya Sabha
Galle District

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year 2019 had been presented for audit on 06 April 2020 and the report of the Auditor General on 17 June 2020 and the Detailed Management reports on 30 June 2020 had been sent to the Chairman of the Council.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the, basis for qualified opinion under the Section of my report the financial statements give a true and fair view of the financial position of the Habaraduwa Pradeshiya Sabha as at 31 December 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

1.3.1 Accounting Deficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
-----	-----	-----
(a) Furniture and Fittings amounting to Rs.102,510 and Sports equipment amount of Rs.399,960 had been bought in the year under review and not accounted.	Action should be taken to account assets properly.	Action will be taken to correct when preparing the accounts for the year 2020
(b) Credit provision amounting to Rs. 5,019,194 to be paid for the Local Government Pension Fund as at 31 December year under review had not been done.	Creditor provision should be done.	Action will be taken to correct when preparing the accounts for 2020
(c) Cash amounting to Rs.74,000 to be collected from Ahangama old trade complex had been omission from the accounts.	Action should be taken to account revenue properly.	Action will be taken to correct while preparing the accounts for 2020

(d)	09 consumer items amounting to Rs.81,270 had been entered in to the value of Furniture, Fittings, Tools and Machinery as of 31 December of the year under review.	Assets should be accounted correctly.	Action will be taken to correct while preparing the accounts for 2020
-----	---	---------------------------------------	---

1.3.2 Unreconciled accounts

Audit Observations

There was a difference of Rs.3,806,981 between 04 account balances and their utility register balances as at 31 December of the year under review.

Recommendations

Action should be taken to correct the accounts after reconciling the differences of the accounts.

Comments of the Accounting Officer

Action will be taken to correct the differences in the future.

1.3.3 Suspense account

Audit Observations

Action had not been taken to identify the balance of the suspense account amounting to Rs.601,430 carrying forward since 2008 and reconcile the accounts.

Recommendations

Action should be taken to find and solve the reasons for the balance in the suspense account.

Comments of the Accounting Officer

Action will be taken to correct in the future.

1.3.4 Receivable and Payable accounts

Audit Observations

(a) Receivable accounts

Action had not been taken to recover 05 Receivable accounts totaling to Rs.1,329,705 bought forward unchanged from many years in the financial statements.

Recommendations

Receivable accounts should be recovered.

Comments of the Accounting Officer

Action will be taken to correct in future.

(b) Payable accounts

Action had not been taken to settle 05 payable accounts totaling to Rs.8,862,715 bought forward unchanged since 2011 in the financial statements.

Payable accounts should be settled.

Action will be taken to correct in future.

1.3.5 Lack of Documentary Evidence for audit.

Non submission of information

Audit Observations

Recommendations

Comments of the Accounting Officer

Necessary information regarding 11 accounts totaling to Rs.155,092,290 had not been submitted for audit.

Age analyzes should be prepared and registers should be updated.

Action will be taken to correct in future.

1.4 Non-Compliance

Non-compliance with Laws, Rules, Regulations and Management Decisions.

References to the Laws, Rules, Regulations and Management decisions

Non-compliance

Recommendation

Comments of the Accounting Officer

(a) 1988 Pradeshiya Sabha (Financial and administration) Rules

(i) Rule 33

A list of persons who had neglected to pay the Assessment Tax and a list of prohibition of property warrants had not been prepared

Action should be taken according to rules.

Action will be taken to issue warrants and recover arrears of revenue in the future.

(ii) Rule 145

A detailed list of refundable deposits had not been prepared and reconcile it with the balance of the ledger.

Action should be taken according to rules.

Action will be taken to correct and follow the rules in the future.

(iii)	Rule 193	A statement had not been prepared depicting the reasons for the Excess and Deficiencies after reconciling the Budget and Expenditure items.	Action should be taken according to rules.	Action will be taken to correct and follow rules in future.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka -----				
(i)	Financial Regulation 371	Advance paid for officers amounting to Rs.161,159 in the year 2019 and Rs.446,108 on the preceding year had not been settled.	Action should be taken according to Financial Regulations.	Action will be taken as according to financial Regulations in future.
(ii)	Financial Regulation 396(d)	Action had not been taken for 15 expired cheques amounting to Rs.413,109 which were issued from the General Accounts but not presented for payment.	Action should be taken according to the Financial Regulations.	Action will be taken as according to financial Regulations in the future.
		Deposit but not realized Cheques related to the Industrial account in the year 2017 amounting to Rs.96,265 were not settled.	Action should be taken according to the Financial Regulations.	Action will be taken as according to financial Regulations in future.
(iii)	Financial Regulation 57 1(1)(2)	Action had not been taken regarding 74 deposit balances totaling Rs.1,018,550 more than 2 years.	Action should be taken according to the Financial Regulations.	Action will be taken to rectify in future.
(iv)	Financial Regulation 1645 and 1646	Daily running charts of 03 vehicles owned by the council had not been presented.	Action should be taken according to the Financial Regulations.	Action will be taken to rectify in future.

(c) Public Administration
Circulars.

-
- (i) Government Administration Circular No.30/2016 dated 29 December 2016 Paragraph 3.1 Fuel consumption tests had not been done for 09 vehicles belong to the Council. Action should be taken according to the Circulars. Action will be taken according to the Circulars in future.
- (ii) The Circular of the Secretary to the General Treasury and the Secretary of the Ministry of Finance No.2/2015 dated 10 July 2015. Action had not been taken to dispose 08 decayed vehicles belonging to the Council. Action should be taken in accordance with the Circulars. Action will be taken according to the Circulars in future.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, the Recurrent expenditure over Recurrent income of the Council for the year ended 31 December 2019 amounted to Rs.11,841,892 as compared with the corresponding Recurrent Expenditure over Recurrent Income for the preceding year amounted to Rs.4,416,009.

2.2 Financial Administration

Audit Observations

Recommendations

Comments of the
Accounting Officer

Preparation of Bank Reconciliation

(i) General accounts

A cheque over written by Rs.48,750 to the cashier in 2013, under deposits amounting to Rs.13,398 to the bank since 2014, mistakenly crediting to the General accounts from income in the Environment Account amounting to Rs.72,385 and an unidentified income amounting to Rs.76,989 credited to the account since 2015 were not reconciled.

Disciplinary Action should be taken against the misuse of checking. Government finances and Bank reconciliation should be prepared correctly. Action will be taken in future after checking.

(ii) Industrial Bank account

The Environment Account was mistakenly credited to the revenue from the Industrial account by an amount of Rs.13,000 and unrealized Cheque deposited in 2017 amounting to Rs.96,265 had not been reconciled by preparing Bank reconciliation.

Action should be taken to correct. Action will be taken in future after checking.

2.3 Revenue Administration

2.3.1 Estimated Income, Billed Income, Collected Income, and Arrears of Income

The details of the Estimated Income, Billed Income, Collected Income and Arrears of income for the year under review and the preceding year are shown below.

Source of Income	2019				2018			
	Estimated Income	Billed Income	Collected Income	Total arrears of income at 31 December	Estimated Income	Billed Income	Collected Income	Total arrears of income at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and tax	5,377,000	4,181,895	3,664,093	8,579,689	4,071,700	3,755,197	3,097,984	8,061,887
Rent	12,470,000	4,952,865	5,678,250	564,442	26,840,000	20,886,239	7,935,640	1,289,827
Permit fees	6,034,870	482,000	482,900	51,300	7,824,850	432,850	431,650	52,200
Total	23,881,870	9,616,760	9,825,243	9,195,431	38,736,550	25,074,286	11,465,274	9,403,914

2.3.2 Court Fines and Stamp Duties

Audit Observations

Recommendation

Comments of the Accounting Officer

The Court Fines amounting to Rs.4,385,082 and Stamp fees amounting to Rs.169,812,512 have to be collected from the Chief Secretary of the Provincial Council and other authorities as at 31 December of the year under review.

Action should be taken exigent to collect arrears of revenue. The arrears of revenue are being collected.

3. Operational Review

3.1 Performance

Facts observed relating to the execution of activities by the Pradeshiya Sabha in accordance with Section 3 of the Pradeshiya Sabha Act such as regulation of health of the general public, common utility services and public road facilities and maintenance of people's welfare, facilities and development are given below.

(a) Action plan

Audit observations

An action plan had not been prepared for the duties to be performed by the Council for the year under review.

Recommendation

An annual Action plan should be prepared.

Comments of the accounting officer

Action will be taken to prepare an annual action plan in future.

(b) Solid waste management

Audit Observations

(i) 08 tons of Garbage collected daily within the area of authority of the council was dumped into a pit and covered with soil without sorting in a land belonging to the Haburaduuwa Temple and an amount of Rs.5,792,430 was spent for this in the year under review.

Recommendation

A long-term plan should be prepared.

Comments of the Accounting Officer

It is noted that a long-term plan is being prepared.

(ii) A Biogas plant was planned to be constructed with funds amounting to Rs.5,846,498 by the council as a solution for the waste management. Although construction was proposed to start as at 29 February 2020, only the second stage of construction of the project was reached.

The construction should be speed up.

Noted to speed up the construction.

(c) Goals of sustainable development

Audit Observations	Recommendation	Comments of the Accounting Officer
<p>Plans had not been made according to 2030 Agenda for the Purposes of Sustainable Development for the global view of such purposes to enhance the living standards and health of the people living in the Council Territory.</p>	<p>Action should be taken to enhance the living standards of the people by preparing long term plans.</p>	<p>Noted that a plan will be made in the future to enhance the living standards of the people living within the area of authority.</p>
3.2 Management Inefficiencies		
Audit Observations	Recommendation	Comments of the Accounting Officer
Failure to collect income		
<p>(a) Although 10 Shop rooms in the Ahangama public shopping complex were Leased after signing contracts, they were not opened even up to 31 December 2019.</p>	<p>Action should be taken to collect arrears income in the future.</p>	<p>Action will be taken to collect the arrears in future.</p>
<p>(b) Action had not been taken to collection the total rent amounting to Rs.17,055,200 and an amount of Rs.410,149 as Rent from 77 Leased shop rooms in the Ahangama Pubic shopping complex.</p>	<p>Action should be taken to collect arrears in the future.</p>	<p>Action will be taken to collect the arrears in future.</p>
<p>(c) A Rent amounting to Rs.212,800 was to be collected from 17 Shop rooms in the Haburaduuwa new shopping complex as at 31 December 2019.</p>	<p>Action should be taken to collect arrears in the future.</p>	<p>Action will be taken to collect the arrears in the future.</p>
<p>(d) The Cafeteria of the Jovi Children’s park was closed from February 2018. A Rent of Rs.158,256 was to be collected from this cafeteria. Legal action had not been taken for the collection of said Rent and to take back the key of the cafeteria to the council.</p>	<p>Action should be taken to recover arrears.</p>	<p>Action will be taken to collect the arrears in future.</p>

3.3 Human Resource Management

Audit observations

Recommendation

Comments of the accounting officer

(a) Excess and Vacancies of staff

(i) There were 20 Primary and Secondary vacancies in the council.

Action should be taken properly to recruit for vacancies.

Action will be taken to rectify in future.

(ii) An amount of Rs.3,276,654 from the Council fund was spent for the salary and allowances for 16 substitute workers who were not recruited in accordance with the Public Administration Circular No.25/2014 in the year 2019.

Action should be taken in accordance with the Circular.

Action will be taken to rectify in future.

(iii) 12 Labour workers were involved in office work.

Responsibilities should be assigned according to position.

Action will be taken to rectify in future.

(iv) an amount of Rs.715,521 was obtained as overtime by 15 employees who had taken un-paid vacations in 2019.

A proper system of internal control should be stated.

Action will be taken to rectify in future.

3.4 Operational Inefficiencies

Audit Observations

Recommendation

Comments of the Accounting Officer

Idle and underutilized assets.

1,269 books in the library in the Jovi children's park was not inventoried as of the council taking over the park and the said books were not presented for the stock verification.

A proper stock verification should be conducted.

Noted that the items will be verified in future.

3.5 Procurement

Procurement Plan

Audit Observations

Recommendation

Comments of the
Accounting
Officer

A procurement plan had not been prepared for the year 2019.

A proper procurement plan should be prepared.

Noted that a procurement plan will be prepared in the future.

4. Accountability and good governance.

4.1 Internal Audit

Audit Observations

Recommendation

Comments of the
Accounting Officer

A proper internal audit had not been conducted and the internal audit report was not presented to the Auditors General.

Internal Audit should be strengthened.

An enough staff is not present to conduct an internal audit.

4.2 Audit and Management committees

Audit Observations

Recommendation

Comments of the
Accounting Officer

An Audit and Management Committee had not been established up to the year under review.

Audit and Management committees should be established.

Noted that steps will be taken to set up proper Audit and Management Committees.