

Harispaththuwa Pradeshiya Sabha
Kandy District

1 Financial Statements

1.1 Presentation of Financial Statements

Financial statements of the year under review had been presented for audit 29 March 2017 and the financial statements for the preceding year had been presented for audit on 31 March 2016.

1.2 Qualified Opinion

I am of opinion that, except the effect on the financial statements of the matters referred in paragraph 1.3 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 Harispaththuwa Pradeshiya Sabha as at 31 December 2016 and financial results of its operations for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following matters are observed.

- (a) Creditor's balance as the end of the year under review had been understated by an amount of Rs.21,188 hence the payable amount for the pension contribute amount of Rs. 47,671 had stated as Rs.26,483.
- (b) The 37 land plots that had not recognized the value and had not taken over the ownership had not been revealed by the accounting notes.
- (c) hence non following of the store advance method for accounting the purchases of stationeries, the stationery lot worth of Rs.328,357 that remained as at 31 December 2016 had been cut-off from the from the accounts.

1.3.2 Un- Reconciled Control Accounts

While the balance of 02 items of accounts according to the financial statements amounted to Rs.55,182, hence the total of those balances according to the subsidiary documents amounting to Rs.807,633, it was observed a mismatch of Rs.752,451.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

while the total of 07 balances of accounts receivable as at 31 December 2016 amounted to Rs.5,544,839, the balances that had elapsed more than 1 years amounting to Rs.2,586,909 had been included therein.

(b) Accounts Payable

While the balance 16 industrial creditors was Rs.18,334,972 as at 31 December 2016, a balance that had elapsed more than 1 year amounting to Rs.3,786,191 had been included therein.

1.3.4 Lack of Documentary Evidence for the Audit

The water store stock of amounting Rs.342,069 had not been satisfactorily vouched in audit due to non submission of the store records of water industry to the audit.

2 Financial Review

2.1 Financial Results

According to the revised financial statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2016 amounted to Rs.45,694,091 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.40,854,518. When compared with the preceding year, an increase of Rs.4,839,573 was shown in the financial results in the year under review.

2.2 Revenue Administration

2.2.1 Rates

While the balance of arrears rates amounted to Rs.4,620,247 as at 01 January 2016, the billed amount was Rs.10,493,588 within the year. Only the sum of Rs.2,411,548 and Rs.7,946,641 had been recovered thereof respectively until 31 December 2016. This was a percentage of 52 percent and 75 percent. The balance of rates in arrears was amounted to Rs.4,755,646 as at 31 December 2016. Accordingly, the collecting of revenue in arrears was remained a level of weak. Amount of Rs.3,737,224 from this balance had been remained receivable as at 31 May 2017 moreover.

2.2.2 Other Income

(a) Communicative Pillar Charges

Actions had not been taken to recover an amount of Rs.85,800 that had remained receivable relating 03 years for 11 communicative pillars that had established in the area of authority of the Sabha.

(b) Acreage taxes

The acreage tax in arrears was amounted to Rs.85, 750 as at 01 January 2016. While this balance had remained in arrears over the period of 02 years, actions had not been taken to recover the arrears amounts in accordance with section 158(1) (b) of Pradeshiya Sabha Act. Also the acreage tax had not been billed within the year under review. Also the actions had not been taken to charge acreage taxes by identifying the acreage tax units through committed regular census within the area of the authority of the Sabha.

2.2.3 Court Fines and Stamp Fees

An amount of court fines of Rs.1,093,460 and stamp fee of Rs.35,003,006 had remained receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2106. From this arrears amount, the court fines amount of Rs.190,000 and the stamp fees amount of Rs.30,395,026 had been remained receivable as at 02 June 2017 moreover.

3 Operational Review

3.1 Performance Evaluation

The following matters are observed.

- (a) Although it is the function of the Sabha that provide public latrine space facilities, the Sabha had not paid attention for providing public latrine facility for the towns of Aladeniya and Madawala.
- (c) water had been supplied for the 73 person only adding chlorine to the well that brought the water without cleaning or refinery from the Mahathenna water proposal that gave the water supply by the Sabha.
- (b) Although the Sabha should be employed more than 30 percent on the development activities in accordance to accomplished the objectives of the act from recurrent revenue, despite an amount of Rs.63,280,099 had earned as recurrent revenue at 31 December 2016, it had been deployed only a sum of Rs.4,320,300 thereof as less percentage as 7 percent on the development activities.

3.2 Management Inefficiencies

It had remained 07 vacancies and 09 surpluses when comparing the actual work force with the approval work force of the Sabha as at 31 December 2016.

3.3 Operational Inefficiencies

The following matters are observed.

- (a) Although it had stated as there are 311 tube wells in accordance to the schedule of tube wells, actions had not been taken to identify those through committed a regular census in those regard.
- (b) The opportunity to use of tube wells had been given to the residents of the area at a monthly charge of Rs.500 accordingly, although it should be received an amount of Rs.155,500 as minimum from the 311 tube wells within the year under review, it had charged only Rs.2,000 within the year.
- (c) Although it had approved 1134 building plan applications during the period of 2012 to 2015, the certificates of compliance had been issued only for 153 thereof.
- (d) Although the public latrines that continued currently at the town of Hadeniya, had been decayed, polluted and was the position of unable to use, it had paid an amount of Rs.24,028 for attain the water facility on 19 October 2016. But, actions had not been taken to attain the water connection until 18 January 2017.
- (e) although the playground about 0.5239 hectares that situated in Madawala had been conveyed to the Sabha on 15 July 2014 by the Urban Development Authority, any development activities had not been carried out on there until 18 January 2017.
- (f) Following matters are observed when examining the Kurundugahamada store of the Sabha physically at 18 January 2017.
 - (i) While the materials that prescribed for the bid had been stored in this store, those had not been stored in the manner of regular as able to recognize easily.
 - (ii) The 215 steel chairs that had purchased by the Sabha during the period of more than 3 years and with the unrecognized value, had been allowed to be destroyed without utilizing and it had rusted.
 - (iii) Although it had continued a pre Scholl by an external party at the segment of this building from the year 1998, it had not been collect any charges or not been entered to any agreement.

3.4 Idle/ Underutilized Assets

The 02 vehicles worth of Rs.8,700,000 and 18 items of vehicles and machines with unrecognized value had been remained in vain and underutilized.

3.5 Contract Administration

Although despite the ability to carry out development activities that prescribed for carry out under the Sabha fund in the year 2016, by getting approval in the beginning of the year, and it had got the approval only for 10 proposals as at the last date of the year under review, out of 22 proposals had presented in 3 times to the Commissioner of Local Government on the middle of year. However, it had not been able to accomplished

development affairs in the expected quantitative within the area of authority by carry out those development proposals.

4 Accountability and Good Governance

4.1 Budgetary Controls

According to the budget that had made for the year under review, when comparing the estimated and actual revenue and expenditures, it was observed variations in a range from 25 percent to 67 percent of 03 items of revenue and 25 percent to 60 percent of 05 items of expenditures. Accordingly the budget had not been made use of as an effective tool of management.

4.2 Annual Procurement Plan

Although an amount of Rs. 42,195,550 spent on capital expenditure by the Sabha it had not made a procurement plan for the year under review.

4.3 Corporate Plan

It had not made a corporate plan as covering the year under review.

5 Systems and Controls

Special attention of the Sabha is needed in the following areas of controls and Systems.

- (a) Contract Administration
- (b) Revenue Administration
- (c) Assets Management
- (d) Creditors and Debtors