

**Harispaththuwa Pradeshiya Sabha  
Kandy 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 submitted to the audit on 29 March 2018 and the Auditor General's Report on those financial statements was issued to the Chairman on 30 July 2018.

**1.2 Qualified Opinion**

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In my opinion except for the effect on the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Harispaththuwa 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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Creditors had been understated by Rs. 46,123 due to recording the payable pension contribution amount of Rs. 55,168 as at 31 December of the year under review as Rs.9,045 under creditors.

**1.3.2 Accounts Receivable and Payable**

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(a) **Accounts Receivable**

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While the total value of 07 Accounts Receivable balances as at 31 December 2017 was Rs.7,155,586, and out of them, balances over one year was aggregating Rs.3,399,483. A balance of Rs. 5,278,919 was further being receivable as at 30 June 2018.

(b) **Accounts Payable**

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While the total value of trade and sundry creditor balances as at 31 December 2017 was Rs. 41,809,905, and out of them, balances over one year was aggregating Rs. 119,440. A balance of Rs. 13,056,320 was further being payable as at 30 June 2018.

### 1.3.3 Lack of Documentary Evidence for Audit

#### Not Presenting Information to Audit

Eight accounts items aggregating Rs. 8,582,746 could not be satisfactorily verified in audit due to non-presenting relevant information.

### 1.3.4 Non-compliance

Instances of non-compliance with laws, rules and regulations were shown below.

Reference to laws, rules and regulations	Amount	Non-compliance
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	Rs.	
(a) Pradeshiya Sabha Act No.15 of 1987 -----		
Section 24 (1)	--	Actions had not been taken to update road inventory register after the year 2012.
(b) Pradeshiya Sabha (Finance and Administrative) Rules of 1988 -----		
(i) Rule 155	--	Main cash book had not been maintained as per the P.S. 10 format.
(ii) Rule 218	--	Annual survey had not been conducted with relating to the land and building.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka -----		
(i) Financial Regulations 1646	--	Running charts of 08 vehicles had not been presented to audit for more than one year.
(ii) Financial Regulations 371 (2)(b)	--	Advances of Rs.54,500 given in 03 instances had been settled by delaying of 04 months to 06 months period after completion of the activity.

## (d) Other

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National Environment Act No. 47 of 1980 amended by Acts No. 53 of 2000 and No. 56 of 1988, and Extra Ordinary Gazette No. 1533/16 dated on 25 January 2008 in complying with the regulations enforced under that.

-- Environment protection license had not been issued for 13 factories which the environment protection license should be issued as published in the Gazette.

**2. Financial Review****2.1 Financial Results**

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According to the Amended Financial Statements presented, revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs.56,303,420 as compared with the corresponding revenue over recurrent expenditure for the preceding year amounted to Rs. 45,694,091.

**2.2 Revenue Administration****2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Arrears of Revenue**

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

Revenue Source	Estimated Revenue	2017			2016			
		Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs	Rs	Rs	Rs	Rs	Rs	Rs
(i) Rates and Tax	11,281,000	11,790,150	11,067,117	5,755,314	10,532,000	11,139,644	11,650,774	5,032,280
(ii) Rent	1,853,000	1,379,230	1,443,320	62,010	1,853,000	1,312,365	783,565	206,100
(iii) License Fees	2,400,000	2,298,541	2,423,070	21,405	1,940,000	1,945,500	2,669,220	145,934
(iv) Other Revenue	45,663,400	45,972,587	17,089,025	66,994,365	41,560,400	38,663,781	54,714,542	36,636,091
Total	61,197,400	61,440,508	32,022,532	72,833,094	55,885,400	53,061,290	69,818,101	42,020,405

### 2.2.2 Performance in Revenue Collection

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The increase in arrears revenue was 73 per cent due to arrears as at 31 December 2016 from all sources of income was Rs. 42,020,405 and those arrears was Rs.72,833,094 as at the end of the year under review. A balance of Rs. 70,956,427 was further been receivable as at 30 June 2018.

### 2.2.3 Rates and Tax

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- (a) While there was a balance of rates in arrears amounting Rs.4,755,646 as at 01 January 2017, billing for the year was Rs. 10,597,050. The recoveries as at 31 December 2017 was Rs.2,544,740 and Rs.7,350,662 respectively. This was 53 per cent and 69 per cent. The recovery of income was in a poor level due to the arrears balance was Rs. 5,457,294 as at 31 December 2017.
- (b) Arrears acreage tax balance of Rs.85,750 as at 31 December 2017 was remained for more than 10 years.
- (c)
  - (i) Arrears water charges of Rs.96,270 were remained as at 31 December 2017 and a sum of Rs. 20,495 of them were remained for more than one year.
  - (ii) Though it was lapsed over one year for disconnection of water connection of 07 water consumers due to the non-payment of charges in Mahathanna water scheme, actions had not been taken to recover the arrears amount of Rs.17,230.

### 2.2.4 Other Revenue

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While there was an arrears Three wheeler revenue amounting Rs.400,400 as at 01 January 2017, billing for the year was Rs. 534,700. Arrears balance of Rs.537,100 were remained as at 31 December and a sum of Rs.495,300 of them were remained for more than one year.

### 2.2.5 Court Fines and Stamp Fees

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Court Fines amounting to Rs. 2,548,747 and Stamp Fees amounting to Rs. 63,072,756 were receivable from the Chief Secretary to the Provincial Council and Other Authorities as at 31 December 2017. The court fine of Rs.80,269 had further been receivable as at 30 June 2018.

## 3. Operating Review

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### 3.1 Performance

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Matters reveled with regarding the activities such as streamlining and controlling matters relating to public health, common utility services and public roads; feather bedding, convenience and welfare which should be admired by the Sabha under Section 3 of Pradeshiya Sabha Act were shown below.

(a) Sub Ordinance  
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Sub Ordinance had not been imposed for implementation of 04 main objectives mentioned in the Section 126 of Pradeshiya Sabha Act.

(b) Action Plan  
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When conducting examination with relating to 05 activities planned in land and buildings of the activity plan prepared for the year under review, it was observed that Sabha had not performed those activities in the activity plan as stating only 02 activities.

(c) Delay in Commencing Activities  
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Twenty six proposals valued at Rs.6,650,000 had been approved on 22 August 2017 from 27 development proposals prepared for Rs.7,150,000 presented on 30 March 2017 for the approval of the Commissioner of Local Government. Nine development proposals valued at Rs. 1,850,000 had been presented for approval on 20 September 2017 under the phase two and had been approved on 30 October 2017. It was observed that the performance were in lower level as taking actions to implement development proposals in the year end with these time delays.

(d) Non implemented Activities  
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(i) Though allocations were provided in annual budget under Health Program by a sum of Rs.750,000 to purchase a Three wheeler and a sum of Rs. 150,000 to construct Bio gas unit for the purpose of collecting garbage by covering the area which the vehicle cannot be reached to collect garbage in the area of the authority of the sabha, that targeted activities had not been implemented.

(ii) Actions had not been taken to achieve the objectives by utilizing the allocations of Rs. 850,000 provided for 04 programs with the objectives of women welfare programs, community development programs, wide services and poverty alleviation.

(iii) The entire allocations of Rs. 175,000 provided for 06 expenditure votes under Public Health Program in the year under review in terms of section 78 (1) of Pradeshiya Sabha Act No. 15 of 1987 had been saved without implementing the plan activities.

(e) Non achieving of Output Targets  
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Eighty seven compost bins had been procured and a sum of Rs. 296,700 had been spent during the year by providing allocations of Rs. 800,000 in the year under review as a gross amount without identifying the proper requirement of compost bins and polythene for garbage dumping. The percentage of spending allocations to implement the said activity was 38 per cent.

## (f) Solid waste Management

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 Though daily collected garbage around 08 – 10 tons from main roads and sub roads as in crumbled and non-crumbled had been dumped into Gohagoda dumping yard belonging to Kandy Municipal Council, it was observed that the attention of Pradeshiya Sabha had not been drawn to produce compost or to another management method.

## (g) Sustainable Development Goals

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 Pradeshiya Sabha had not prepared a sustainable development plan for the year under review and awareness of sustainable development goals had not been made.

## 3.2 Management Inefficiencies

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 (a) Though Pradeshiya sabha fund should be utilized to implement the activities mentioned in section 03 of Pradeshiya sabha Act No. 15 of 1987, a sum of Rs.11,500,000 in 03 instances had been invested in fixed deposits of Peoples Bank and Bank of Ceylon in the year under review without following directions of the act.

(b) Though there was a possibility in conducting the library books binding activities through Library Assistant, the book binding activities had been conducted by paying a sum of Rs.289,320 into a Private Institution in 07 instances in the year under review.

## 3.3 Human Resources Management

## (a) Staff Management

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 Vacancies in 12 posts and excess in 01 post were available between approved and actual cadre of the Sabha as at 31 December 2017.

## (b) Staff Loan

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 Actions had not been taken to recover a loan balance of Rs. 50,871 even as at 31 December of the year under review receivable from 11 vacated of post, deceased, and transferred out officers from the year 2012.

## 3.4 Operational Inefficiencies

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 (a) Though the investigation and reporting of 376 inquiries received to Sabha during the year under review had been entrusted to Technical Officers and Environment Officer, investigation and presenting report had not been made as at 14 December 2017 with regarding 152 inquiries of them. Actions had not been taken even as at 30 June 2018 with regarding 26 inquiries of them.

- (b) Actions had not been taken to recover a sum of Rs.128,143 receivable from several activities during the period 2010 – 2017, even as at the end of the year under review.
- (c) The balance of Rs. 25,000 from a sum of Rs. 1,000,000 received from Provincial Council for the Housing Program for poor in the year 2012 had been kept in accounts without taking actions to return or to take remedies.

### **3.5 Assets Management**

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#### **3.5.1 Idle / Under-utilized Assets**

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Different models of 05 vehicles valued at Rs. 10,128,144 with running condition had been parked in premises of Sabha and Medewela Market complex in under-utilized without using for running due to unavailability of Drivers.

#### **3.5.2 Stores Control**

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It was observed an excess in 03 items valued at Rs. 21,385 and shortage in 07 items valued at Rs. 21,318 in the test check carried out with regarding the balances of stores stock ledger and the physical balances.

### **3.6 Procurement**

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#### **Procurement Plan**

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Though capital expenditure of Rs. 43,649, 323 had been incurred by the Sabha, a procurement plan had not been prepared for the year under review.

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

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### **4.1 Budgetary Control**

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According to the budget prepared for the year under review, it was observed that the budget had not been made use of as an effective tool of management as there were variations from 20 per cent to 160 per cent in 03 items of revenue and variations from 22 per cent to 76 per cent in 06 items of expenditure, when the estimated revenue and expenditure are compared with the actual revenue and expenditure.

### **4.2 Internal Audit**

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Independent and sufficient internal audit could not be carried out due to assigning some other duties in many subjects for internal audit Officer.

## 5. Systems and Controls

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Deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time and special attention is needed in respect of the following areas of control.

<b>System</b>	<b>Deficiencies</b>
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(a) Revenue Administration	i. Failure in collection of arrears revenue. ii. Non concentrating of banging process of properties
(b) Assets Management	i. Failure in utilizing assets properly. ii. Remaining of idle and under-utilized assets.
(c) Debtors and Creditors	i. Incorrect accounting. ii. Un settling of creditors.
(d) Stores Control	i. Failure in maintaining registers properly. ii. Failure in disposing the disposable assets.
(e) Budgetary Control	i. Failure in spending estimated provisions. ii. Failure in recovering estimated revenue.