

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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The financial statements for the year 2018 had been presented to the audit on 28<sup>th</sup> of March 2019, while the summary report of Auditor General on the financial statements and detailed management report had been forwarded to the chairman on 31<sup>st</sup> May 2019 and 30<sup>th</sup> June 2019 respectively.

1.2 Qualified Opinion

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

1.3 Basis for the Qualified Opinion

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1.3.1 Accounting Deficiencies

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Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Creditors of 43 constructions had been under stated by Rs. 4,070,288.	It should be accounted correctly.	Accounts had been corrected
(b) Creditors value had been overstated by Rs.250,446	Correct value of works creditors should be accounted.	It had been accounted by journals.
(c) The receipts value of inventory goods had been understated by Rs.149,417.	Accounts should be corrected.	This variance is due to some of purchases made for store had been recorded as program expenditure, without recording to Inventory account.
(d) Expenditure relating to the year under review had been understated by Rs.1,154,760.	Accounts should be corrected.	It was informed that final accounts as at 31.12.2019 will be correctly prepared after rectifying accounting errors.

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|-----|---|-------------------------------|---|
| (e) | Annual stall rent and annual fixed deposit interest income had been understated by Rs.406,000 and Rs.11,535,417 respectively. | Accounts should be corrected. | It was informed that final accounts as at 31.12.2019 will be correctly prepared after rectifying accounting errors. |
| (f) | Equipment vote expenditure for the year under review had been overstated by Rs.451,520.                                       | Accounts should be corrected. | It was informed that final accounts as at 31.12.2019 will be correctly prepared after rectifying accounting errors. |

### 1.3.2 Un-Reconciled Accounts

#### Audit Observation

A difference of Rs.8,391,374 was observed between the balances of 08 subjects in the financial statements and the balance of source documents

#### Recommendation

Correct the accounts by reconciling the differences of relevant balances

#### Comments of the Accounting Officer

It was informed that final accounts as at 31.12.2019 will be correctly prepared after rectifying accounting errors.

### 1.3.3 Accounts Receivable and Payable

#### (a) Accounts Receivable

#### Audit Observation

The aggregate of accounts receivable that had been elapsed the period of 05 years amounting to Rs.877,112.

#### Recommendation

Action should be taken to recover the receivable balances.

#### Comments of the Accounting Officer

Various programs will be implemented to recover.

#### (b) Accounts Payable

The aggregate of accounts payable that had been elapsed the period of 05 years amounting to Rs.95,939.

Actions should be taken to settle the payable balances.

Actions will be taken to pay off the creditors' balances immediately.

### 1.3.4 Lack of Necessary Documentary Evidence for the Audit

#### Audit Observation

The total amount of Rs.3,079,609 in relating to 08 items of accounts could not be satisfactorily vouched in audit, due to

#### Recommendation

Evidences should be presented to verify the account balances in the

#### Comments of the Accounting Officer

Documents will be updated and presented when final accounts of

the non-presentation of necessary financial statements. 2019 are presented. information.

#### 1.4 Non-Compliance

##### Non-Compliance with Laws Rules, Regulations and Management Decisions

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

Reference to Laws, Rules, Regulations and Management Decisions	Non-Compliance	Recommendation	Comments of the Accounting Officer
(a) Pradeshiya Sabha Act No.15 of 1987. Section 159(1)	Actions had not been taken to recover rates in arrears.	Actions should be taken to recover rates in arrears.	Mobile services were carried on to collect rates.
(b) The Financial Regulations of the Democratic Socialist republic of Sri Lanka			
(i) 571(3)	Any actions had not been taken in relating to 83 deposits which had elapsed the period of 2 years.	Action should be taken as per the Financial regulations	Actions will be taken to credit the government income or make payment to relevant persons.
(ii) 1646	Running charts of the motor vehicle had not been presented for the audit.	Action should be taken as per the Financial regulations.	Subject officers and drivers had been informed with this regard
(c) Treasury circulars			
Local government authorities (special amendment) act No:48 of 1971 and Circular No:434 of public finance dated on 31 December 2008.	Even though the immovable properties in the council area shall be assessed once in every 05 years, an assessment had not been carried out after the year of 2011.	Should act as per the circular.	Although a requisition was made to the valuation department since 2017, any Comments had not been provided with this regard

1.5 Transactions were not Confirmed with Considerable Authority

Audit Observation	Recommendation	Comments of the Accounting Officer
An aggregate of Rs.5,727,099 of works creditor balance and debtor balance had been written off from the books of accounts without having considerable authority.	Should act as per authority in the section 182 of Pradeshiya Sabha Act No.15 of 1987	Corrections will be made in the year of 2019.

2. Financial Review

2.1 Financial Result

According to the financial statement presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31<sup>st</sup> December 2018 amounted to Rs.52,546,011 ,as compared with the corresponding amount in excess of revenue over recurrent expenditure for the preceding year amounted to Rs.55,794,420.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Collected Revenue and Revenue in arrears

The details of Estimated Revenue, Revenue Billed, Collected Revenue and Revenue in arrears for reviewed year and preceding year are as follows.

Source of Revenue	2018				2017			
	Estimated Revenue	Revenue Billed	Collected Revenue	Total Arrears as at 31 <sup>st</sup> December	Estimated Revenue	Revenue Billed	Collected Revenue	Total Arrears as at 31 <sup>st</sup> December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	11,720,665	11,196,750	10,959,827	4,830,771	11,281,000	11,790,150	11,067,117	5,755,314
(ii) Rent	2,662,600	1,586,510	1,627,680	24,090	1,853,000	1,379,230	1,443,320	62,010
(iii) License fee	2,874,200	2,476,266	2,482,266	18,000	2,400,000	2,298,541	2,423,070	21,405
(iv) Other Income	47,029,500	52,974,896	53,353,773	97,750,424	45,663,400	45,972,587	17,089,025	66,994,365
Total	64,286,965	68,234,422	68,423,546	102,623,285	61,197,400	61,440,508	32,022,532	72,833,094

2.2.2 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
Any action had not been taken to recover the total of Rs. 85,750 of Acreage taxes in arrears as at 31 <sup>st</sup> December 2018 which had elapsed for the period of 10 years.	The performance on collecting income should be improved.	Actions will be taken to write off the arrears after having approval, since tax payers cannot be recognized clearly.

## 2.2.3 Other Income

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting officer -----
(a) Tube Wells Income ----- Tube well income in arrears at the end of the year 2018 was Rs.801,163 since bills had been issued for 328 even though there were only 29 tube wells which were active in the council area.	The performance on collecting income should be improved by billing correctly.	Actions will be taken to write off the value of Rs.801,163 formally, which were incorrectly billed continuously.
(b) Three Wheelers' Parking Charges -----		
(i) The arrears at the beginning of the year was Rs.536,400 and a sum of Rs.391,500 had not been collected at the end of the year therein.	The performance on collecting three wheelers' parking charges should be improved.	Actions will be taken to inform the three wheel owners that the Three wheelers' parking charges in arrear should be recovered.
(ii) A survey in relating to three wheelers had not been carried on after the year of 2014.	A survey should be implemented.	Actions will be taken to recover the arrears by carrying on a survey this year.
(c) Advertising Boards Income -----		
(i) ----- A total of Rs.179,149 which were receivable from 82 advertising boards exhibited in 19 shops had not been recovered.	Actions should be taken to collect the receivable income.	The letters informing to make payment had been sent to the relevant business entities.
(ii) The list had not been prepared by carrying out a survey about advertisement bill board.	Survey activities should be implemented properly.	Actions are already being taken to implement such survey.

## 2.2.4 Court Fines and Stamp Duties

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
Receivable court fines and stamp duties as at 31 <sup>st</sup> December 2018, was Rs.2,108,233 and Rs.59,609,106 respectively.	The performance on collecting income should be improved.	Rs.1,295,034 of Court fines and Rs.3,849,360 of stamp duties were collected in the year of 2019.

3. Operating review

3.1 Performance

Following matters were revealed with regard to duties to be fulfil by sabha as per the Section 3 of the Pradeshiya sabha Act, in relating to regulation and control of all the matters relating to Public health, Public utility services and public highways, comfort, convenience and welfare of the people.

(a) Non- Fulfillment of Activities

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) The water was being distributing without accomplish water sample test of 07 community water projects and 01 water project of Sabha in the council area.	Comply with the rules of the Act.	It was accepted that the water sample test was not carried out and a water sample test will be carried on this year.
(ii) Although, Rs.540,000 provisions had been made for 09 items including uplift of women, community development and eliminate poverty, in the reviewed year, any program had not been implemented.	The programmes to be implemented annually should be implemented.	It had been planning to implement those programmes after preparing programs for them.

(b) Solid Waste Management

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) The attention had not been paid for the production of compost by using daily collected waste in the council area.	Action should be taken to contribute the solid waste management through compost production.	It had been informed that a systematic program would be prepared for waste management after suitable land has been found.

## (c) Sustainable Development Goals

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Audit Observation

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As per the circular No.NP/SP/SDG/17 dated 14<sup>th</sup> August 2017 of Ministry of National policies and economic affairs It had not been prepared a plan during the year 2018, in order to achieve sustainable development goals

## Recommendation

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Preparation of plans in relating to achieve sustainable development goals.

Comments of the  
Accounting Officer

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It had been informed that the provisions were made under budget for the year 2019

## 3.2 Management Inefficiencies

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Audit Observation

- (a) Income had not been collected by gathering information about registered hotels under Tourism Board.

## Recommendation

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The receivable income to Sabha, should be collected.

Comments of the  
Accounting Officer

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It had been inquired relevant information from Tourism Board and it is expected to collect the income from this, year forthwith information is received.

- (b) A sum of Rs.1,344,540 of donations that received during the period of year 2014 to 2017 had not been utilized for the development of Pradeshiya sabha.

The funds that could be used for the development should be utilized properly.

The estimates are being preparing in order to implement the project under these donations.

## 3.3 Human Resource Management

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Audit Observation

- (a) There were 10 vacancies 01 excess position in approved carder as at 31<sup>st</sup> December 2018.

## Recommendation

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Actions should be taken to fill the vacancies and get approve the excess position.

Comments of the  
Accounting Officer

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02 vacancies for Montessori Teachers had been sent for the approval by the Commissioner of Local government, and relevant actions are being taken to fill other vacancies.

- (b) Total balance of Rs.169,822 of loan receivable from 12 officers who vacated of office, died and transferred had not been recovered even at the end of the

The system of recovering employee loans should be formalized further.

Actions had been taken to recover these balances from guarantors and the loans of transferred employees are

	year under review.		going to be collected from their salary.
(c)	The sum of Rs.146,983 had not been utilized, out of the total provision of Rs.200,000 made for staff training.	The performance of work force should be developed through training programs.	It is accepted that the training programs couldn't be implemented as per the plan
3.4	<b>Operational Inefficiencies</b> ----- Audit Observation -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
(a)	Even though 168 public complaints were received during the year, 89 complaints had not been examined.	Considerable awareness should be paid for public complaints.	Immediate actions will be taken to solve the public complaints.
(b)	The licence had been issued for a vehicle service centre to which carrying on its operations in the manner of harm to environment, from 16 October 2017 to 15 October 2018 without having any investigation.	The trade licence should be issued through a correct confirmation.	It had been informed that the information will be presented for Audit, in future.
3.5	<b>Assets Management</b> ----- Idle or Underutilized Assets ----- Audit Observation -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
	07 vehicles value of Rs.18,198,144 which are in operating condition, had been underutilized for a period of 1 to 4 years.	Actions should be taken not to be inactive or underutilized the assets.	Recommendation had been inquired from chief ministry for the auction.
3.6	<b>Procurement</b> ----- Procurement Plan ----- Audit Observation -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
	A procurement plan had not been prepared for the year under review.	A procurement plan should be prepared.	A procurement plan for the year 2019 had been prepared.



4. Accountability and Good governance

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4.1 Budgetary Control

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Audit Observation

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The provisions made for the acquisition of land amounting to Rs.4,000,000 in the reviewed year had not been utilized

Recommendation

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Actions should be taken to get clear ownership of land and buildings of Sabha.

Comments of the  
Accounting Officer

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Actions will be taken to build the fence around the cemetery, and safeguard it, in future.