

Harispattuwa Pradeshiya Sabha**Kandy District****1. Financial Statements****1.1. Presentation of Financial Statements**

The financial statements for the year under review had been presented for audit on 28 March 2014 and the financial statements for the preceding year had been presented on 28 March 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 09 December 2014.

1.2. Opinion

I am of opinion that the financial statements have been prepared in accordance with the Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Harispattuwa Pradeshiya Sabha as at 31 December 2013 and the financial result of its operations and cash flows for the year then ended.

1.3. Comments on Financial Statements**1.3.1. Accounting Deficiencies**

The following accounting deficiencies are observed.

- a) The value of Yati/ Udagama multipurpose building constructed during the year under review, at a cost of Rs.95,216 had not been capitalized. Therefore the buildings account and the revenue contribution to capital outlay account had been understated by a similar value.
- b) The income of waste tax in the year under review amounted to Rs.309,000, and it had been brought to account as Rs.321,000, overstating the waste tax by Rs.12,000.

1.3.2. **Accounts Receivable and Payable**

a) **Accounts Receivable**

The value of total balances of accounts receivable as at 31 December 2013 amounted to Rs.15,013,408 and out of this, the total accounts balances exceeding 1 year, had been Rs.1,731,532.

b) **Accounts Payable**

The total balances of accounts payable as at 31 December 2013 amounted to Rs.9,183,412 and out of this, the total accounts balances over one year amounted to Rs.1,323,780.

2. **Financial Review**

2.1. **Financial Results**

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2013 amounted to Rs.14,307,986, as compared with the excess of revenue over recurrent expenditure amounting to Rs.18,282,595 for the preceding year. Therefore the financial result had been deteriorated by Rs.3,974,609.

2.2. **Analytical Financial Review**

Though a sum of Rs.14,656,123 had been received as salary reimbursement for the year under review, Rs.19,080,657 had been paid as salaries and allowances. Therefore a sum of Rs.4,424,534 had been spent from the income of the Sabha, for the payment of salaries to the employees. This amount had been 14.34% of the recurrent revenue of the Sabha, excluding the salary reimbursement.

2.3. **Working Capital Management**

The ratio between total current assets and current liabilities was 3.35:1, and the ratio of 2.58:1 in the preceding year was in a superior level. Further, 43% of the total current assets amounting to Rs.15 million represent works and sundry debtors, whilst 89% of total current liabilities amounting to Rs.9.1 million represent works and sundry creditors.

2.4. Revenue Administration

2.4.1. Transmission Towers Business Taxes

18 Transmission Towers had been located within the area under the authority of the Sabha, and business taxes had not been collected from these towers. Therefore the Sabha had been deprived of a sum of Rs.13,200 in the year 2013.

2.4.2. Stamp Fees

The stamp fees, receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2013 had been Rs.3,000,000, and out of this Rs.800,972 had been further receivable as at 14 July 2014.

2.4.3. Environment Licence Fees

The Gazette Extra Ordinary Notification No. 1533/16 dated 25 January 2008, issued in accordance with the National Environmental Act No. 47 of 1980, as amended by Acts No. 56 of 1988 and 53 of 2000, and the regulations promulgated under the Act, stipulates the necessity of obtaining environmental licences for the listed projects. But the Sabha had been deprived of Rs.46,200 as environmental licences had not been obtained accordingly in respect of 06 projects.

3. Operating Review

3.1. Management Inefficiencies

A land with an extent of nearly 04 acres, situated along Medawala Dembaralawa road, had been blocked-out without the approval and 02 blocks out of this had been sold. Further, a retaining wall of about 20 metres on the left side of the land and 02 roads on the right side of the land had been constructed without the authority. But the Sabha had not taken any action in respect of unauthorised constructions or unauthorised land sales.

3.2. Idle and Underutilised Assets

04 items of assets valued at Rs.312,028 as at the end of the year under review, had been kept idling and underutilised over a period of 03 years.

3.3. Contract Administration

An estimate had been prepared in respect of laying interlocking concrete blocks, and according to the item of work number 2.2, the construction of the concrete retaining walls with a height of 9 inches, had been estimated and entered into agreements. But, the retaining walls in the 07 works inspected, had been constructed with an average height of 4 inches, which is against the estimated standard, and the payments had been made according to the same height.

4. Accountability and Good Governance

When the estimated revenue and expenditure in the budget prepared for the year under review was compared with the actual revenue and expenditure, variances in the range of, 13% to 57% in respect of 06 items of revenue, and variances in the range of 9% to 100% in respect of 07 items of expenditure were observed. Therefore it was observed that the budget had not been made use of as an effective tool of control.

5. Systems and Controls

Special attention is needed in respect of the following areas of systems and controls.

- a) Accounting
- b) Revenue Administration
- c) Contract Administration