

Harispaththuwa Pradeshiya Sabha

Kandy District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 31 March 2015 while Financial Statements relating to the preceding year had been submitted on 28 March 2014. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 27 July 2015.

1.2 Opinion

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 2014 and its financial performance for the year then ended in accordance with generally accepted accounting principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Policies

Accounting Policies adopted in the preparation of accounts had not been disclosed.

1.3.2 Non-reconciled Control Accounts

When the balance of the Rates in Arrears Account amounting to Rs.5,474,565 is compared with the balance of Rs.6,177,015 in the schedule of that, a non-reconciliation in sum of Rs.702,450 was observed.

1.3.3 Accounts Receivable

While the total value of two Accounts Receivable balances as at 31 December 2014 amounted to Rs.57,340,418, Out of that a sum of Rs.2,266,425 had exceeded a period of one year. A balance of Rs.750,547 out of that had not been recovered further as at 30 June 2015.

1.3.4 Accounts Payable

Out of the total value of three Accounts Payable balances at 31 December 2014 amounting to Rs.67,686,049, a balance Rs.917,925 had exceeded a period of one year. A balance of Rs.330,241 out of that had been payable further as at 30 June 2015.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2014 amounted to Rs.32,178,488 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.14,344,286 indicating an improvement of Rs.17,834,202 in the financial result.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

Information as furnished by the Chairman relating to Estimated Revenue, Actual Revenue and Arrears of Revenue for the year under review are shown below.

Item of Revenue	Arrears as at 01.01.2014	Revenue billed during the year	Revenue Collected out of arrears as at 01.01.2014	Revenue out of billing 2014	Amount not Collected out of Arrears 01.01.2014	Amount not collected out of billing 2014	Total to be
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
		'000	'000	'000	'000	'000	'000
Rates and Taxes	2,107,552	9,990,215	518,943	6,018,509	1,588,609	3,971,706	5,560,315
License Fees	126,461	1,565,162	55,050	1,403,17	71,411	162,045	233,456
Garbage Tax	253,000	1,026,000	251,000	960,000	2,000	66,000	68,000
Stalls Rent	40,050	32,400	17,150	16,000	22,900	10,400	39,300
Water Charges	69,065	98,780	24,790	98,780	44,275	--	44,275
Court Fines	388,567	750,907	388,567	294,412	---	456,495	456,495
Stamp Fees	16,701,372	29,979,901	11,232,404	7,321,864	5,468,968	22,658,037	28,127,005

A balance of revenue in arrears amounting to Rs.34,522,653 remained in arrears as at 30 June 2015, out of arrears amounting to Rs.34,527,846 as at 31 December of the year under review.

2.2.2 Stalls Rent in Arrears

While arrears of Stalls Rent in arrears as at 31 December of the year under review amounted to Rs.39,300, out of that rent amounting to Rs.35,650 relevant to a time range from 09 months to 05 years remained outstanding from 09 stalls. A proper procedure had not been taken by the Sabha to recover that rent.

2.2.3 Business Tax relevant to Telephone Transmission Towers

Action had not been taken to recover license fees relevant to the year under review amounting to Rs.26,400 for telephone transmission towers constructed in the area of authority of the Sabha from 02 telephone companies.

2.2.4 Advertisement Boards Charges

Although a charge of Rs.50 should be levied for one square feet per annum for a permanent advertisement board as per notification No. 1834 dated 25 October 2013 of the Harispaththuwa Pradeshiya Sabha, action had not been taken to recover a sum of Rs.134,650 from 56 advertisement boards placed in the area of authority of the Sabha.

2.2.5 Court Fines and Stamp Fees

Court Fines amounting to Rs.456,495 and Stamp Fees amounting to Rs.28,127,005 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2014. Out of this balance, Court Fines amounting to Rs.52,200 and Stamp Fees amounting to Rs.23,739,455 were due to be recovered further even as at 30 June 2015.

3. Operating Review

3.1 Management Inefficiencies

Although Action should be taken to carry out surveys, prepare boundaries and erect fences with regard to 11 burial grounds belong to the Sabha, such action had not been taken accordingly. It was observed in audit, that the persons living in lands adjoining are encroaching those burial grounds due to that.

3.2 Improper Transactions

In spite of the fact that the maintenance works of the roads tarred by the Sabha during the year under review had not been carried out, 25 tar barrels and 05 cola barbells valued at Rs.518,750 had been purchased on 10 October 2014.

3.3 Idle Assets

While 286 galvanized pipes provided from the Ministry of Local Government and Provincial Councils had been kept idle without being used for any work, any project relevant to usage of G.I. Pipes had not been identified as well

3.4 Operational Inefficiencies

Following matters are observed.

- (a) Action had not been taken to recover loan balances amounting to Rs.43,033 due from 08 officers who had left on transfers, interdicted, went abroad and deceased.
- (b) Although 32 unauthorized constructions in the area of authority of the Sabha had been identified during the year under review, proper course of action had not been taken to demolish and remove those. Action to be taken for recovery of charges when legalizing unauthorized constructions too had not been followed. According to sample checks, fines amounting to Rs.221,500 had not been recovered relating to 05 instances.

3.5 Contracts Administration

- (a) Concreting Sub-road from the Uduwawala East, Ranawana Subhani Boutique up to Polwatta Road – Amount Spent Rs.980,000
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- (i) Although the road should be concreted with a concrete mixture of 1;2:4(3/4”) to a thickness 05 inches, when mid place of the road from beginning to a distance up to 162 feet was broken and examined, it was revealed that the thickness had been 3 inches. It was also observed that the road surface had been constructed using a weak concrete mixture which could be broken with hand, due to failure in using the standard mixture. At the physical inspection carried out on 20 February 2015, it was revealed that 08 places of the road had been cracked.
- (ii) Although a payment of Rs.7,000 had been made for the name board relevant to the project, name board had not been fixed.

- (b) Development of Bokalawela Public Stadium – Amount Spent Rs.660,332
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- (i) While construction works had been commenced without preparing a feasibility study report, a plan, estimates etc., for the construction, any study had not been made in connection with environmental influence.
- (ii) While there was a large marsh land in the boundary of the part completed with earth fillings as per agreement, about a part of 05 per cent of that land had been filled, although this project had been implemented with the objective converting this land to a play ground.
- (iii) Although a sum of Rs.17,408 had been paid for 1.36 cubic meters according to the payment report, for making the drain system, according to the physical inspection carried out on 20 February 2015, it was not in a usable condition

and was observed that the expenditure incurred had been a fruitless expenditure.

(c) Failure to follow up Tender Procedure

Construction of 53 Works valued at Rs.5,310,000 out of the Sabha Fund had been assigned to Community Societies without following the tender procedure, contrary to provisions in Rules 177 and 178 of the Pradeshiya Sabha (Financial and Administrative) Rules Series of 1988.

3.6 Solid Waste Management

While a quantity of 8 - 8 ½ tons of garbage is getting accumulated per day in the area of authority of the Sabha, it was observed that garbage is collected using three vehicles and dumped into a land belongs to the Sabha without being sorted out.

4. Accountability and Good Governance

4.1 Procurement Plan

A Procurement Plan had not been submitted for the year under review.

4.2 Action Plan

An Action Plan had not been prepared by the Sabha for the year under review and due to that, reports to support that quarterly progress reviews were carried out were not furnished to audit.

4.3 Internal Audit

An adequate internal audit had not been carried out in the Sabha during the year under review.

4.4 Budgetary Control

It was observed according to the budget prepared for the year under review, that the budget had not been made use of as an effective tool of management as there were variations from 34 per cent to 83 per cent in 03 items of revenue and variations from 17 per cent to 50 per cent in 06 items of expenditure, when the estimated revenue and expenditure are compared with the actual revenue and expenditure

5. Systems and Controls

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

- (a) Accounting
- (b) Budgetary Control
- (c) Revenue Administration
- (d) Contracts Administration
- (e) Solid Waste Management.