

**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 under review had been submitted to the Audit on 28 March 2016 while Financial Statements relating to the preceding year had been submitted on 31 March 2015. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 07 June 2016.

**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 2015 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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Following deficiencies were observed

- (a) Transferring the ownership of lands of 03 Library Buildings belong to the Sabha had not been made and disclosures had not been made under notes to the accounts in this regard.
- (b) Seven vehicles received from many government institutions as grants amounting to Rs. 34,819,323 had been accounted under Vehicles and Carts which had not been transferred the ownership to the Sabha.

**1.3.2 Accounts Receivable**

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While the value of 04 Accounts Receivable balances as the end of the year under review was Rs. 16,530,715, out of that value of balances that had been outstanding over 01 year was Rs. 8,037,817.

**1.3.3 Accounts Payable**

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While the total value of 03 Accounts Payable balances as the end of the year under review was Rs. 10,970,700, out of that, the value of account balances that had been outstanding over 01 year was Rs. 5,738,267. A sum of Rs. 183,488 from that balance had further been payable as at 31 March 2016.

### 1.3.4 Lack of Evidence for Audit

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Transactions totaling Rs. 990,922 relating to 03 items of accounts could not be satisfactorily examined in audit due to non-presenting of required information to audit.

### 1.3.5 Non-compliance with Laws, Rules and Regulations

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Following instances of non-compliance were observed

**Reference to laws, rules and regulations etc.**

**Non-compliance**

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(a) Pradeshiya Sabha Act No. 15 of 1987

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Section 49

Though the legal actions should be taken with regard to the unauthorized constructions in the area of authority of the Sabha, actions had not been taken to get relevant legal actions with regard to 05 unauthorized structures constructed in 2015 and early years.

(b) Urban Development Authority Act No. 41 of 1971

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Section 21

Only 100 buildings had been issued the Certificate of Conformity out of the 1355 building plans applications approved from 2010 to 2014

## 2. Financial Review

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### 2.1 Financial Results

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According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2015 amounted to Rs. 40,806,565 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 32,178,488. Accordingly, an improvement in a sum of Rs.8,628,077 was observed in the financial results.

### 2.2 Analytical Financial Review

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Though the expenditure should be estimated comparative with the income collecting in the year, when compared with the recurrent income and expenditure for the year under review, the expenditure was shown from 77 per cent to hundred percent in 05 programs compared with the income.

## 2.3 Revenue Administration

### 2.3.1 Performance in Revenue Collection

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

Item of Revenue	as at	Year 2015			Receipt of 2015		Arrears as
	01.01.2015						at 31.12.2015
	Arrears	Billings	Discount Given/Wr ite Off	Receipt in Advance	Receipt from Billings		
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	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	5,560,316	9,659,109	230,129	3,259,112	7,024,187		4,705,997
Stalls/Building rents	--	156,850	--	--	75,550		81,300
License Fees	233,456	1,972,135	--	215,566	1,688,370		301,655
Other Revenue	29,783,638	37,863,076	--	27,292,739	1,993,497		38,360,478
<b>Total</b>							<b>43,449,430</b>
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The total revenue balance of Rs. 43,449,430 was in arrears as at the end of the year under review.

### 2.3.2 Rates

Following matters were observed.

- While the arrears rates as at 01 January 2015 was Rs. 5,474,566, billing income for the year under review was Rs. 9,659,109. Out of that, recoveries as at 31 December 2015 was only Rs. 3,259,112 and Rs. 6,905,044 respectively. This as a percentage was 59 per cent and 72 per cent. Accordingly the recovery of rates was in a poor level.
- Out of 1836 rates payers whose rates payable amount more than Rs. 1,000, a sum of Rs. 4,620,247 were in arrears for a period ranging from 01 year to 34 years. Actions had not been taken to recover the arrears income by taking actions in terms of paragraph 158 of the Pradeshiya Sabha Act No. 15 of 1987.
- The recovery of rents from Government Institutes and some Business premises in the area of authority of the Sabha had not been in a satisfactory level and arrears of Rs. 142, 157 from 27 such units were remained as at 31 December 2015.

### **2.3.3 Shop Rent**

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Following matters were observed.

- (a) Though the bids had been called from Newspaper advertisements on 07 October 2010 and 13 July 2015 to lease out stalls and Reception Hall In Medawala New Market Complex belong to Sabha on monthly rent basis, stalls No. 01,06,10,11,12 and the Reception Hall could not be given on lease even as at 18 November 2015.
- (b) Nine stalls in Weekly faire belong to Sabha had been leased out on 25 August 2014 without entering into a contract with the Lessee.

### **2.3.4 License Fees**

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#### **(a) Trade License**

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Actions had not been taken to recover the amount of Rs. 235,500 from 369 businesses doing business within the area of authority of Sabha without getting the trade license

#### **(b) Environmental Permits**

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Environment Protection License had not been issued to 65 business units in the area of authority of Sabha as Specific Projects published in Section "D" Extra Ordinary Gazette Notification No. 1533/16 dated 25 January 2008, issued by the Minister of Environmental and Natural Resources under the regulations of the National Environmental Act No. 47 of 1980 amended from acts No. 56 of 1988 and No. 53 of 2000.

### **2.3.5 Three Wheelers Parking Fees**

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Twenty Three Wheel Societies had been registered as at the end of the year 2015, and out of them, an amount of Rs. 237,400 from 19 Societies had not been recovered as at 31 December 2015.

### **2.3.6 Court Fines and Stamp Fees**

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Court Fines amounting to Rs. 627,666 and Stamp Fees amounting to Rs. 36,130,730 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2015.

### **3. Operating Review**

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#### **3.1 Management Inefficiencies**

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Following matters were observed.

- (a) According to the terms of 154(1) of Pradeshiya Sabha Act No. 15 of 198, instead of charging 01 per cent tax from land lot selling in the area of authority of the Sabha at the time of selling, the tax had been charged by getting valuations from brokers before selling the land lots, and actions had not been taken to recover further outstanding income to the Sabha by following up the selling of lands.
- (b) The Lot No.07 of 8.3 perches allocated for common use at the time of partitioning and selling of the land named Uduwawala Kahawattha had not been used for the intended purpose, and the common well received under the lot No. 06 for 02 perches had been closed.
- (c) When using the vehicle for official use, though the signature of the relevant officer used the vehicle should be taken at the end of each day of travelling, running charts had not been maintained for running of 662 km from 04 vehicles of the Sabha.
- (d) Actions had not been taken to get transferred the ownership of 07 vehicles received to Sabha from Ministries and Projects, and 08 vehicle had been kept under-utilized by mentioning that non-functioning and lack of drivers.
- (e) The JCB backhoe loader No. RS – 1577 of the Sabha had been given to 14 people without taking cash in the year under review, and actions had not been taken to recover the amount receivable of Rs. 147,120 in this regard.

#### **3.2 Operational Inefficiencies**

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Though the tender had been called by estimating ground floor stalls at Rs 31,000 and upper floor at Rs. 30,000 in Madawela Market Complex without any feasibility study, no one had been made bids and it was closed even as at 20 April 2016. The income generated had not been enough to pay the loan instalment and the interest of that loan taken from the Domestic Loan and Development Fund to construct this Market Complex.

#### **3.3 Contract Administration**

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Following matters were observed.

##### **3.3.1 Construction of Side Wall close to the Residence of Mr. Samarasinghe beside Uduwawala Nikathenna Road – Rs.100,000**

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The financial malpractice had been done by making payment of Rs. 100,000 to a Construction society on fraudulent bills and estimates illustrating the constructions conducted by the Sabha for which the concrete wall constructed by spending Rs 250,000 from personal funds of a resident beside

Nikathenna road as to rescue from water seeping to his house. This payment had been approved by the Sabha on 28 October 2015.

### **3.3.2 Development of Bothota Bopitiya Watha Road - Rs.150,000**

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The metal used to construct the protected wall had been used the large size than the estimated size, and the cement mixture used to construct the wall had been used the low mixture than the estimated standard.

### **3.4 Improper Transaction**

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A room of the building of an outside party residing close to the Pradeshiya Sabha office had been taken on rent for monthly rent of Rs. 8,000 by the Sabha to store equipment in Old Pradeshiya Sabha office and a sum of Rs. 148,000 had been paid for 18 ½ months commencing from 03 March 2014 to 18 December 2015 out of Sabha funds. The approval of the Sabha and the government valuation had not been obtain to get this room on rent.

## **04. Systems and Controls**

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

- (a) Accounting
- (b) Revenue Administration
- (c) Contract Administration
- (d) Vehicle Control