

**Harispaththuwa Pradeshiya Sabha
Kandy District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to the audit on 24th of February 2020, while the summary report of Auditor General on the financial statements and detailed management report had been forwarded to the chairman on 22nd May 2020 and 30th June 2020 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in the basis for the qualified opinion section of my report, Financial statement gives a true and fair view of the financial position of the Harispaththuwa Pradeshiya Sabha as at 31st December 2019 and its financial performance for the year then ended, in accordance with Generally Accepted Accounting Principles.

1.3 Basis for the Qualified Opinion

1.3.1 Accounting Deficiencies

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Rs.466,706 of Receivable Court fines and Stamp duties for the year under review had not been accounted.	It should be accounted correctly.	Revenue was received after preparation of Accounts.

1.3.2 Receivable and Payable Accounts

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) <u>Receivable Accounts</u> The balance of accounts receivable that had been due for more than 05 year was Rs. 85,750 and for the period of 1 to 5 years was Rs. 1,907,737.	Receivable should be recovered.	Action will be taken to recover in the future.
(b) <u>Accounts Payable</u> The balance of accounts payable that had been due for the period of 1 to 5 years was Rs. 1,907,737.	Payments should be settled.	Action will be taken to settle in the future.

1.3.3 Lack of Necessary Documentary Evidence for Audit
Non Presentation of Information

Audit Observation	Recommendation	Comments of the Accounting Officer
Documents and files for the total amount of Rs.1,813,867 in relating to 08 items of accounts had not been presented for the audit.	Evidences that verify the account balances in financial statement should be presented.	Action will be taken to correct in the year 2020.

1.3.4 Non Compliance

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

Reference to Laws, Rules, Regulations and Management Decisions	Non-Compliance	Recommendation	Comments of the Accounting Officer
(a) Parliament Act Pradeshya Sabha Act No.15 of 1987. Section 159(1)	The arrears assessment tax due for the period of 02 to 06 years from 256 properties was Rs.732,799.	Arrears should be recovered.	Action will be taken to recover in the future.
(b) Financial regulations of Democratic Socialist Republic of Sri Lanka. F.R.. 702(03)	Copies of Contract agreements had not been presented to Auditor General.	Action should be taken as per the Financial regulation.	Action will be taken to present in future.
(c) Other Circulars Gazette notification No: 1533/16 dated 25 th February 2008 published in accordance with the provisions of the National Environment Act.	09 environment licences had not been renewed.	The provisions of Act and Gazette notification should be followed.	Correction will be made in the future.

2. Financial Review

2.1 Financial Results

According to the financial statement presented, excess of revenue over recurrent expenditure for the year ended 31st December 2019 amounted to Rs.58,435,147 ,as compared with the corresponding amount in excess of revenue over recurrent expenditure for the preceding year amounted to Rs.52,546,011.

2.2 Revenue administration

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

The details of Estimated Revenue, Billed Revenue, collected Revenue and Arrears of Revenue for Reviewed year and preceding year are as follows.

Revenue source	2019				2018			
	Estimated Revenue	billed Revenue	Collected Revenue	Arrears as at 31 st December	Estimated Revenue	billed Revenue	Collected Revenue	Arrears as at 31 st December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	11,618,760	11,341,663	2,818,155	8,523,478	11,720,665	11,196,749	10,959,827	4,830,771
(ii) Rent	2,960,200	1,269,450	1,161,670	107,780	2,662,600	1,180,510	1,627,680	24,090
(iii) License fee	3,695,180	3,256,622	2,963,882	292,740	2,874,200	2,476,666	2,482,266	18,000
(iv) Other income	115,460,920	103,465,359	103,417,609	47,750	89,567,810	87,844,287	53,353,773	97,750,424
Total	133,735,060	119,333,065	107,694,317	11,638,748	106,875,275	102,698,213	68,423,546	102,623,285

2.2.2 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Rates		
The rates of Rs. 8,440,434 due at the end of the year under review had not been collected.	Arrears should be charged	Action will be taken to collect the arrears in the future
(b) Garbage Tax		
Garbage tax of Rs. 71,000 due at the end of the year under review had not been collected	Arrears should be charged	Action will be taken to collect the arrears in the future

2.2.3 Other Income

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Three Wheeler Charges ----- Three wheeler tax of Rs. 973,850 due at the end of the year under review had not been collected.	Arrears should be charged.	Action will be taken to collect the arrears in the future.
(b) Tube well Revenue ----- Tube well revenue in arrears due at the end of the year under review was Rs.775,863.	Revenue should be identified correctly and arrears should also be recovered	The survey has begun and relevant action will be taken once it is completed.

2.2.4 Court Fines and Stamp Duties

Audit Observation	Recommendation	Comments of the Accounting Officer
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The receivable court fine and the stamp duty as at 31 December 2019 was Rs.993,578 and Rs.95,757,706 respectively.	Receivable should be brought.	- Action will be taken to recover the arrears in the future.

3. Operating review

3.1 Performance

Following matters were revealed with regard to duties to be fulfill by the Council 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.

Sustainable Development Goals

Audit Observation	Recommendation	Comments of the Accounting Officer
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The council has been implementing various functions for the benefits of the public in the area, but has not conducted an evaluation and follow up process on how far they are compatible with the sustainable Development Goals.	The follow-up process needs to be done.	Action will be taken to correct it from 2020 onwards

3.2 Management Inefficiencies

Audit observation	Recommendation	Comments of the Accounting Officer
----- Prize money of Rs.539,145 received during the period from 2014 to 2017 had not been utilized.	----- Money should be used for Council purposes.	----- Money will be utilised in the future.

3.3 Human Resource Management

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Employee Vacancies and Excess ----- As at 31 December 2019, there were 16 vacancies in the approved staff of the Council.	----- Approved staff should be completed.	----- Necessary steps will be taken to recruit.

3.4 Operational Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Shortcomings Related to Property Leasing ----- Garbage tax collection had been stopped in 07 industries without a council decision.	----- Revenue should be recovered.	----- The matter will be referred to the Council in the future and a decision will be taken.

3.5 Asset Management

3.5.1 Failure to Obtain Income due from Assets

Audit observation	Recommendation	Comments of the Accounting Officer
----- Ticket fees for the Aladeniya Children's Park had been suspended from March 2018 without council approval.	----- Action should be taken to generate revenue.	----- Action has been taken to recover from January 2020.

3.5.2 Idle and Underutilized Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
----- (a) E-Nena Piyasa Information Technology Center -----	----- Maximum benefits should be gained from resources.	----- Due to the shortage of children as a result of the validity of the certificate received under this project and the fact that other institutions were conducting computer programs, it had to be discontinued.
The e-Nena Piyasa Information Technology Center which was carried out by the Council was closed down from July 2019 and 03 computers belonging to the Center were also inactive.		
(b) Four vehicles valued at Rs. 2,938,260 in running condition were underutilized.	Appropriate action should be taken to use the assets	Action will be taken for the auction.

3.6 Procurement

3.6.1 Procurement Plan

Audit observation	Recommendation	Comments of the Accounting Officer
----- Capital expenditure of Rs.65,776,895 was borne by the Council during the year under review but a procurement plan had not been prepared.	----- A plan should be prepared.	----- Correction will be made in the year 2020. .