

Horana Pradeshiya Sabha

Kalutara District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 08 August 2016 while the 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 sent to the Secretary of the Sabha on 31 August, 2016.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Horana 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

1.3.1 Accounting Deficiencies

The following accounting deficiencies are observed.

- (a) When an amount of Rs.21, 500,000 was transferred to Industrial Cash Account from General Cash Account, it was erroneously credited to Capital Grants Account. In order to rectify this, Capital Grants Account had been debited and the Accumulated Fund Account had been credited. As a result, Accumulated Fund Account had been overstated by same amount.
- (b) Rs.6, 682,829 was debited to Accumulated Fund Account and credited to the Cash Account for removing a balance shown in cash book twice. Therefore, Cash Account and Accumulated Fund Account had been overstated by same amount.

1.3.2 Lack of Evidence for Audit

The details relevant to the value of Rs.409, 886 debited to creditors account in the year under review had not been submitted to Audit.

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 2015 amounted to Rs.43,597,495 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.16,006,325.

2.2. Revenue Administration

2.2.1. Arrears of Revenue

Total arrears of revenue amounting to Rs.6,612,395 as at the end of the year under review had not been recovered in accordance with the provisions of Sections 158 and 159 of the Pradeshiya Sabha Act No.15 of 1987.

2.2.2 Rates

- (a) Outstanding rate balance of Rs.503,627 out of Rs.982,315 from 19 industries situated in Kanananwila area on the audited date of 29 October 2015 was due as at 31 December 2015. Further, value of rates in arrears from 181 outstanding rate units more than Rs.2000 was Rs.744,785 and a sum of Rs.677,718 was due from such 162 units as at 31 December 2015.
- (b) There were 27 rate units exceeding more than Rs.5000 of outstanding rate as at the audited date of 29 October 2015 in Ingriya area and value of them was Rs.220,005. Out of total arrears a sum of Rs.50,399 had been recovered as at 31 December 2015 and balance in arrears was Rs.59,136. Out of such rate in arrears a sum of Rs.169,606 had not been recovered from a Rubber Industry.
- (c) There was Rs.313,857 rate balance due from 05 industries within the total rate balance in arrears in Poruwadanda area as at the audited date of 29 October 2015 and out of which a sum of Rs.239,678 should have been recovered as at 31 December 2015.

2.2.3 Stall Rents

There were 23 stalls of new market complex belonging to Ingriya Sub Office and the rents had been charged from only 21 stalls. It was revealed that rest 2 stalls were not tendered even up to the audited date of 29 October 2015.

2.2.4 Stamp Fees

A sum of Rs.59, 023,630 was due from the Chief Secretary of the Provincial Council and the other authorities as at 31 December in the year under review as follows.

2.2.5 Notice board Fees

License fees amounting to Rs. 286,750 had not been collected for 23 notice boards as per the Gazette of Republic of Sri Lanka dated 21 November 2014.

3. Operational Review

3.1 Operational deficiencies

The following matters are observed.

- (a) In accordance with the section 4.1 of the Circular of the Director General of Pensions No.2/2011 dated 24 February 2011, though the contributions of casual and temporary workers should be sent to the Secretary and the Accountant of the Public Services Provident Fund, no action had been taken to do so. As late remittance was made to the Employees' Provident Fund and Employees' Trust Fund, an amount of Rs.635, 045 had to be paid to the Fund as a penalty within the year under review.
- (b) Due to the non settlement of Value Added Tax during the period from 2002 to 2012, a sum of Rs.1,068,912 had been paid to the Commissioner General of Inland Revenue on 29 January 2015. A sum of Rs.1,036,634 out of which was the penalty for the period from 2002 to 2010.
- (c) The value of unreturned 335 books obtained by readers from the lending Section of the libraries maintained by Sabha in 2012,2013,2014 and 2015 was Rs.89,964 but no action had been taken by the Sabha to get back those books or to charge the value of those books from relevant parties even by 30 June 2015.
- (d) Action had not been taken to recover outstanding loan balance of Rs. 63, 521 due to the Sabha as at 31 December, 2015 from 16 deceased, retired and vacated employees even up to 31 December 2015.
- (e) It was observed that there were a shortage of 203 units of 09 store items and an excess of 12 units of one item at the physical inspection carried out on 29 October 2015.

3.2. Issuance of Environmental Licences

Although the procedure of issuing Environmental Licences should be done as per Gazette Notification of Horana Pradeshiya Sabha No.1533/16 dated 25 January 2008, no action had been taken accordingly. The following observations are made relevant to the same.

- (i) Though the Environmental Authority had identified 10 industries within the limit of Pradeshiya Sabha, which should obtain Environmental Licenses, only 05 licenses had been issued as at the audited date of 30 October 2015.
- (ii) Action had not been taken to reissue licences with regard to 42 institutes whose licences had been cancelled from 2001 to 2015, after ensuring their further performance even up to the audited date of 30 October, 2015 .
- (iii) Action had not been taken to issue licences to the institutes related to 10 fields which can be obtained environmental licences. The environmental licensing process had been prepared to issue licenses to the persons who apply only to the same. Therefore, it was observed that the main objective of earning a revenue to Pradeshiya Sabha as well as creating a people friendly environment is not achieved.

3.3 Improper Transactions

- (a) In terms of Section 5.4.4(i) of the Government Procurement Guidelines, an advance granted for any purpose should not be exceeded 20% of the total estimate. In contradictory with that, an advance of Rs.114, 000 or 50% from the total estimate had been paid for the repair of a cab owned by Sabha.
- (b) As per the letter of Assistant Chief Secretary (Training) of Western Province No.CSO/PTR/10/1/306 dated 20 June 2014, the allowance is only paid to the resource persons who participate in staff and non-staff officers training workshop. But Rs.14, 400(1,200 per hour x 12 hours) had been paid to an external resource person for preparation of the final accounts.
- (c) In terms of No.o2 of rule 3A of Gazette Notification of Republic of Sri Lanka dated 21 January 2014, the Chairman had obtained a permanent travelling allowance of Rs.2, 500 from January 2014 while a combined allowance of Rs. 133,500 had obtained for 270 days from January 2014 to May 2015.

4. Systems and Controls

The special attention of Sabha is paid to the following systems and controls

- (a) Accounting
- (b) Budgetary control
- (c) Revenue administration
- (d) Assets management