

Horana Pradeshiya Sabha

Kalutara District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 15 August 2017 and the financial statements for the preceding year had been presented on 08 August 2016. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 29 September 2017.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position as at 31 December 2016 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 observations are made.

- (a) The capital aid of Rs. 17,914,269 of the year under review had been shown as Rs. 34,219,346 in the financial statements thus overstating the capital aid by Rs. 16,305,077 in the financial statements.
- (b) The stamp fees for the year under review had not been shown in the financial statements and the stamp fees of Rs. 28,697,542 obtained on behalf of the previous year had been shown as revenue of the year under review in the financial statements.

- (c) The expenditure on ayurvedic medical supplies of the year under review had been overstated in the financial statements by Rs. 150,000.
- (d) Provision for creditors amounting to Rs. 1,735,320 had not been made for the exercise books obtained from the State Printing Corporation on credit basis during the year 2011. As a result, the value of creditors had been understated by Rs. 1,735,320 and the Accumulated Fund had been overstated by Rs. 1,735,320 in the financial statements.

1.3.2 Lack of Evidence for Audit

Transactions aggregating Rs. 29,401,672 could not be satisfactorily vouched in audit due to non rendition of necessary information for audit.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of expenditure over recurrent revenue of the Sabha for the year ended 31 December 2016 amounted to Rs. 10,485,433 as compared with the excess of expenditure over revenue of the preceding year amounting to Rs. 43,597,495. Accordingly, an improvement in financial results amounting to Rs. 33,112,062 was observed during the year under review as compared with that of the previous year.

Increase in revenue by Rs. 36,343,873 and the increase in expenditure amounting to Rs. 3,231,811 had mainly attributed to the improvement in financial results by Rs. 33,112,062.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and the Arrears of Revenue

The information relating to the estimated revenue, actual revenue and the arrears of revenue furnished for the year under review appear below.

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
Rates and taxes	14,497	12,078	4,583
Lease rent	1,994	1,901	93
Licence fees	916	916	-

2.2.2 Rates and Taxes

- (a) Out of the arrears of Rs. 6,432,198 at commencement of the year under review, a sum of Rs. 4,342,873 or 68 per cent had been recovered.
- (b) Out of the sum of Rs. 10,394,386 billed as rates and taxes of the year under review, a sum of Rs. 7,976,219 or 77 per cent had been recovered.
- (c) The outstanding rates and taxes as at 31 December 2016 amounted to Rs. 4,507,492. Included in this were Rs. 1,079,067 due from 767 units for 01 to 03 years Rs. 1,122,294 due from 682 units for 03 to 05 years, Rs. 1,200,208 due from 542 units between 05 to 10 years and Rs. 42,771 due from 257 units for over 10 years.

2.2.3 Acreage Tax

Out of the arrears of Rs. 107,966 at commencement of the year under review, a sum of Rs. 33,581 or 31 per cent had been recovered. A further sum of Rs. 74,385 remained as recoverable.

3. Operating Review

3.1 Operating/ Management Inefficiencies

- (a) A bank reconciliation statement for the current account of the Bank No. 041 - 1 - 001- 5 – 1069561 had been prepared in December 2016. While doing so, the balance of fixed deposits of Rs. 15,000,000 which had been treated as cheques not realized in 2017 for which money had been obtained had been included in it to avoid occurrence of negative balance in the cash book as at 31 December 2016.
- (b) Action had not been taken to invest the security deposits of 49 employees as at end of the year under review.
- (c) A generator had been repaired by spending Rs. 258,350 so as to make it self operating. Action had not been taken to use it for such purpose.
- (d) The Sabha was not in possession of deeds, deed of declaration etc., to declare its ownership with regard to its land and buildings at Welabadawaththa site, Poruwedanala, Puwakwaththa site, Bandarawaththa and the Kanaththawaththa site.
- (e) The Sabha had paid Rs. 2,354,450 for 13 labourers of the health clinic conducted at the office of the Medical officer of Health. Those labourers were not employees of the Sabha.

3.2 Solid Waste Material Management

- (a) Bye –laws had not been framed in respect of the solid waste material management.
- (b) Garbage tax had not been imposed to meet the expenditure incurred on garbage management.

4. Systems and Controls

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

- (a) Accounting
- (b) Personnel Management
- (c) Solid Waste Material Management
- (d) Budgetary Control