

Horana Pradeshiya Sabha

Kalutara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented for audit on 26 March 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 26 July 2019 and 23 September 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Horana Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basics for the Qualified Opinion

a) Accounting Deficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
i. The expenditure for purchasing Capital Assets of Rs.2,801,506 had been accounted under recurrent expenditure.	The Capital and Recurrent Expenditure Categorizing should be done accurately.	Actions would be taken to correct in the future.
ii. Other revenue had been understated by Rs.213,789 in the Financial Statements.	The Revenue should be accounted correctly in the Revenue and Expenditure Account accurately for the year under review.	Actions would be taken to correct in the future.

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| iii. The Opening Balance of the Inventory Goods Account of Rs.105,274 had been stated as changing for the Revenue Applications for the Capital Account and it had been accounted as debiting the Accumulated Funds Account and crediting the Revenue Applications for the Capital Account therefore, the accounts balances had been wrong. | Should be accounted correctly. | The answers had not been provided. |
| iv. The Supplies and Equipment expenditure had been understated by Rs.48,000 for the year under review. | The expenditure relevant to the year under review should be accounted correctly. | The answers had not been provided. |
| v. The Common Stock Balance for the year under review had been understated by Rs.163,299. | The relevant expenditure should be correctly accounted. | The answers had not been provided. |

b) Unreconciled Accounts

Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
A difference of Rs.33,809,354 between the balances of 03 items of accounts in the Financial Statements of Rs.102,100,648 and its balances shown in the subsidiary registers.	The differences in the accounts should be reconciled and corrected.	Actions would be taken to find out and correct the differences in the year 2019.

c) Accounts Receivable and Payable

Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
The Value Added Tax of Rs.2,084,385 had not been paid for the Department of Inland Revenue for the year 2002- 2012 at the end of the year under review.	Actions should be taken to pay the amount to the Department of Inland Revenue.	The Audit Observation accepted.

d) Lack of Necessary Documentary to Evidence for Audit

Audit Observations	Recommendations	Comments of the Accounting Officer
Accumulated value of Rs.128,898,345 on six items of accounts could not be satisfactorily vouched during the audit due to non rendition of update Fixed Assets Register, Stocks Register and the Subsidiary Documents.	The evidence to prove the balances of the Financial Statements should be provided.	The Fixed Assets Register had being updated and the other subsidiary registers would be provided in the future.

1.4 Non Compliances

Non-compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, Regulations and Management Decisions	Value Rs.	Non Compliances	Recommendations	Comments of the Accounting Officer
(a) Pardeshiya Sabha Act No.15 of 1987 (i) Section 134(1)		The rates had not been realized under a new assessment from the real estate in the areas stated by the Sabha as developed.	New Assessments should be done	Actions had being taken to realize the new property in the year 2019.
(ii) Section 160	2,819,581	The forbidding property as the last step of charging the arrears rates had not been done.	Actions should be taken according to the Act.	Forbidding the property for the year 2019 had being done.
(e) 1988 Pradeshiya Sabha (Finance and Administration) Rules 218		All the buildings had not been inspected at least once a year.	Actions should be taken according to the rules.	Agreed that the rules had not been followed.

- (f) Financial Regulations of the Democratic Socialist Republic of Sri Lanka
 Paragraph (1) and (2) 102,932 F.R 517
- A list had not been made at the end of each semester on all the expired deposits and the expired deposits had not been credited to the State Revenue.
- Actions should be taken according to the Financial Regulations.
- Actions would be taken to add it into the revenue.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2018 amounted to Rs.28,909,159 as compared with the excess of the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.4,900,792.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2018				2017			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	16,486,494	11,769,297	15,885,487	2,842,981	15,528,874	13,102,390	13,939,952	3,745,463
(ii) Rent	4,263,000	2,388,532	1,747,744	201,700	3,682,200	2,608,955	1,744,811	264,139
(iii) Licence Fees	1,613,500	1,291,626	1,656,638	-	1,096,625	907,339	871,338	-
(iv) Other Revenue	85,531,100	65,000,000	107,531,597	40,603,906	106,990,400	-	58,474,413	-

2.2.2 Rates and Taxes

Audit Observations	Recommendations	Comments of the Accounting Officer
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i. The opening balance of the arrears in the rates had been Rs.3,479,501 and out of the Rs.1,305,642, 37 per cent had not been recovered as at 20 June 2019.	Actions should be taken to recover the rates in arrears soon.	Actions would be taken to recover the arrears income.
ii. The rates in arrears over 05 years had been Rs.825,593 and that amount had been 29 per cent of the whole amount.	Actions should be taken to recover the rates in arrears soon.	Actions would be taken to recover the arrears income.

2.2.3 Entertainment Tax

Audit Observations	Recommendations	Comments of the Accounting Officer
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The Entertainment Tax billed for the year under review had been Rs.513,574 and out of that Rs.321,131, 62 per cent had not been recovered. However the balance as at 13 May 2019 had been Rs.256,891.	Actions should be taken to recover the income in arrears soon.	A Board decision had been taken to charge the amount in arrears in 10 equal installments.

2.2.4 Trade License Income

Audit Observations	Recommendations	Comments of the Accounting Officer
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Trade License had been issued for 06 institutions that should be taken the Public Health Inspector's Recommendation before obtaining the Trade License.	Actions should be taken to obtain the Public Health Inspector's Recommendation to the institutions which should be taken it.	Actions would be taken to obtain recommendation of the Public Health Inspector.

2.2.5 Court Fines and Stamp Duty

Audit Observations	Recommendations	Comments of the Accounting Officer
The Court Fines of Rs.30,000,000 and Stamp Duty of Rs.39,270,556 had been receivable from the Chief Secretary as at 31 December 2018.	Action should be taken to recover the Arrears in Court Fines and Stamp Duty.	Actions had being taken to receive the arrears Stamp Duty and the Court fines.

3. Operating Review

3.1 Performance

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) <u>By-laws</u> Even though by-laws should be imposed on 16 main matters under the Section 126 of the Pradeshiya Sabha Act as at 31 December 2018, the by-laws had been imposed only on 04 matters.</p>	Action should be taken to allocate necessary by-laws on the matters that had not been considered.	Answers had not been provided.
<p>(b) <u>Action Plan</u></p> <p>i. 07 Projects cost of Rs.3,150,000 had not been done in the according to the Action Plan in the year 2018.</p> <p>ii. 20 Roads of Rs.28.9 million had been developed in the year 2018 but it had not been identified in the action plan.</p>	<p>The projects should be planned according to the Action Plans.</p> <p>Action Plan should be made correctly.</p>	<p>The actions would be taken according to the correct action plan.</p> <p>The Action Plan had been made during the period controlled by the Officers and done in the period controlled by the Public Agents, so, the projects had been done according to the suggestions of the agents.</p>
<p>(c) <u>Delays in completing Tasks</u> The estimated cost Rs.5,755,986 of the Project, construction of Wagaewatta Garbage Yard had not been completed as at 31 January 2019 even though it had been scheduled to finish on 18 January 2018.</p>	The projects should be completed without delays.	Actions would be taken to charge late charges for the delay.

(d) **Solid Waste Management**

The Cost of Waste management for the year 2018 had been Rs.34,361,719. By-laws had not been imposed on the Waste Management and actions had not been taken to minimize the cost.	Actions should be taken to minimize the cost of waste management and by-laws should be imposed.	Actions would be taken to impose by-laws and charge garbage tax.
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(e) **Targets of Sustainable Development**

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| i. The Program to alleviate the poverty in 2018 under the section 6.1 of the National Budget Circular No.2/2017 on 25 July 2017 by the Ministry of Finance and Media had not been done. | The actions should be taken to achieve the Goals and the Targets of Sustainable Development. | One program to alleviate the poverty had been done in the year 2017. |
| ii. The Officers had not been aware about the 03 Strategies introduced by the Department of Budget Circular No.BD/CBP/4/1/2-2018 on 31 July 2017 and Officers had not been deployed for the tasks of collecting data on Sustainable Development Goals and Targets. | Actions should be taken according to the Circular. | The Officers could not be deployed for those tasks because of the vacancies of the staff and the unawareness of the Staff and the Heads of the Departments. |

3.2 Human Resources Management

Audit Observations

Recommendations

Comments of the Accounting Officer

a) **Vacancies and Excesses of the Employees**

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| i. Approved number of Development Officers were 09 but the actual number had been 08 therefore one vacancy had been appeared. | The vacancies should be recruited. | Department of Local Government had been informed about the vacancies. |
| ii. 06 posts of the Secondary Level and 11 posts of Third Level had been vacant. | The vacancies should be recruited. | Actions would be taken to recruit in the future. |
| iii. 12 Substitute Officers had been appointed for 03 posts that have the approved number of staff and Rs.6,947,341 had been paid as the salary. | Appointing the Substitute Cadre should be minimized. | The Approved Cadre had not been sufficient. |

3.3 Identified Losses

Audit Observations

Recommendations

Comments of the Accounting Officer

Shortage of 15.35 Barrels of Tar of Rs.243,277 had been appeared in the Kananwila Sub-Office.

The Shortage should be identified and recovered from the relevant officers.

Actions would be taken to do a Primary Investigation and recover the relevant amount.

3.4 Vehicle Control

Audit Observations

Recommendations

Comments of the Accounting Officer

15 Vehicle s of the Sabha had not been obtained the Revenue License.

All the vehicles should be obtained the Revenue License.

Actions would be taken to obtain the Revenue License.

3.5 Procurement

Contract Administration

Audit Observation

Recommendation

Comments of the Accounting Officer

a. The raw material of Rs.462,503 purchased for the project, construction of Millawa Owilana Road had not been accounted and assessed. Also after purchasing the material had been hold over 1 ½ months unsafely without starting.

The Raw material purchased for the construction of roads should be measured and verified the accuracy by the supplier of the material at the moment of supplying.

The projects had been delayed because a lot of Provincial Council and Decentralized Projects should be completed at the end of the year.

b. 32 barrels of Tar of Rs.507,200 had been issued by the Stores without issuing the Issue Orders.

The issue orders should be issued when issuing the Projects material.

Informed that it had been mistakenly issued the material without Issue Orders.

c. The quality of 03 roads had been law which tarred and developed by the Sabha because of not issuing 08 barrels of tar estimated and supplied of Rs.95,520.

The materials estimated should be issued for the Road Development Projects.

The estimated amount of material had been used.

4. Accountability and Good Governance

4.1 Audit Observations not Resolved

Audit Observation	Recommendation	Comments of the Accounting Officer
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i. Paragraph 2.2.4 (c) of the audit general's report 2017.	Actions should be taken to charge by the relevant officers.	Actions would be taken to charge by the relevant officers.
ii. Paragraph 2.2 (d) of the auditor general's report 2016.	The Orders of the Committee of the Accounts should be obeyed.	Actions had been taken to charge by the relevant officers according to the Orders of the Committee of the Accounts 2017.