

**Horana Pradeshiya Sabha**  
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**Kaluthara District**  
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**1. Financial Statements**  
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**1.1 Presentation of Financial Statements**  
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The financial statements for the year 2019 had been presented for audit on 13 March 2020 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 18 August 2020 and 30 September 2020 respectively.

**1.2 Qualified Opinion**  
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In my opinion, except for the effect of matters described in the part, 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 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Basics for the Qualified Opinion**  
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**a) Accounting Deficiencies**  
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**Audit Observations**  
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The book value of the stock had been accounted as the value of the Stock of Rs.5,896,590 without taking the physical value of the Stock.

**Recommendations**  
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The Accounts should be prepared accurately.

**Comments of the Accounting Officer**  
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Inform that the value of the Physical Stock recognized by the Board of Survey, from 31 December 2019 to the date of the Board of Survey, equals to the book value of the Stock.

**b) Unreconciled Accounts**  
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**Audit Observations**  
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A difference of Rs.56,639,478 had been observed between the balances of 03 items of accounts valued Rs.93,141,222 and its balances shown in the subsidiary registers.

**Recommendations**  
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The differences in the accounts should be reconciled and corrected.

**Comments of the Accounting Officer**  
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Actions would be taken to find out and correct the differences in the year 2020.

c) **Lack of Necessary Documentary to Evidence for Audit**  
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<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
----- Accumulated value of Rs.150,473,604 on four items of accounts could not be satisfactorily vouched during the audit due to non rendition of updated Fixed Assets Registers, Stocks Registers and the Subsidiary Documents.	----- The evidence to prove the balances of the Financial Statements should be provided.	----- Inform that the actions would be taken to correct in the Final Accounts of the year 2020.

**1.4 Non Compliances**  
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**1.4.1 Non-compliance with Laws, Rules, Regulations and Management Decisions**  
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<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Value Rs.</b>	<b>Non Compliances</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
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(a) <u>Pardeshiya Sabha Act No.15 of 1987</u>				
i. Section 21	69,632,331	Overall amount of roads owned by the Sabha on the Grama Niladari Divisions had not been recognized and registered.	Actions should be taken according to the Act.	Inform that the actions are being taken according to the Act.
ii. Section 38		Actions had not been taken to enter the Provisions in to the Annual Budget relating to the maintenance of the roads by making a Maintenance Plan.	Actions should be taken according to the Act.	Inform that the actions would be taken to correct in the future.
iii. Section 134(1)		A new recognition had not been done on the rates.	Actions should be taken according to the Act.	Inform that the actions would be taken to correct in the future.
iv. Section 160		Forbidding the Property had not been carried out as the last step of recovering the rates.	Actions should be taken according to the Act.	Inform that the actions would be taken to correct in the future.

- (b) Pardeshiya Sabha  
(Financial and  
Administrative)  
Rules 1988  
Rule No.218
- A Survey had not been carried out on the lands and Buildings owned by the Sabha.
- Actions should be taken according to the Pradeshiya Sabha Rules.
- Inform that actions would be taken to correct the lands owned by the Sabha by appointing an inspection Committee.
- (c) Gazette No.1533/16 dated 25 January 2008
- Actions had not been taken to issue new Environmental License of 05 institutes that had been expired.
- Actions should be taken according to the Gazette Notice.
- Inform that it had been noticed for the organizations who had not obtained the Environmental License to obtain the Environmental License.

#### 1.4.2 Non-compliance with the Tax Essentials

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##### Audit Observations

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The Value Added tax amounted to Rs.2,084,385 that should be transmitted to the Department of Inland Revenue according to the Value Added Tax Act from the year 2002 to 2012 had not been transmitted.

##### Recommendations

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The Value Added tax should be paid to the Department of Inland Revenue.

##### Comments of the Accounting Officer

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Inform that the audit observations had been agreed.

## 2. Financial Review

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### 2.1 Financial Results

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According to the financial statements presented for the year ended 31 December 2019, the excess of revenue over recurrent expenditure of the Sabha amounted to Rs.12,933,277 as compared with the corresponding excess of revenue over recurrent expenditure of the preceding year amounting to Rs.28,069,033.

**2.2 Revenue Administration**  
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**2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue**  
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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	2019				2018			
	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	23,993,708	18,297,519	22,944,788	3,716,209	16,486,494	11,769,297	15,885,487	2,842,981
(ii) Rent	3,522,000	2,518,430	3,665,016	226,530	4,263,000	2,388,532	1,747,744	201,700
(iii) Licence Fees	1,549,900	1,953,538	2,912,101	-	1,613,500	1,219,626	1,656,638	-
(iv) Other Revenue	107,793,506	94,211,000	78,471,697	-	85,531,100	65,000,000	107,531,597	40,603,906
<b>Total</b>	<b>136,859,114</b>	<b>116,980,487</b>	<b>107,993,602</b>	<b>3,942,739</b>	<b>107,894,094</b>	<b>80,377,455</b>	<b>126,821,466</b>	<b>43,648,587</b>

## 2.2.2 Performance in Revenue Collection

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
According to the time analysis forwarded Rates in arrears over 05 years of Rs.264,968 on 111 units, and rates in arrears over 10 years of Rs.204,425 on 93 units had not been recovered.	Rates in arrears should be recovered.	No Comments.

## 2.2.3 Court Fines

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
The Court Fines receivable from the Chief Secretary and the Other Officers had been Rs.150,000,000 as at 31 December 2019.	Court Fines in arrears should be recovered.	The Documents on the Court Fines receivable for the year 2019 had been made and sent and inform that the adjustments for the over billings would be done after receiving the money.

## 3. Operating Review

### 3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act, such as regularization and control of matters relating to public health, public utility services and public thoroughfares, public comfort, convenience and welfare.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) <b><u>By-Laws</u></b> By-laws had been imposed only 4 matters out of 16 main matters under Section 126 of the Pradeshiya Sabha Act No.126 as at 31 December 2019.	By-laws should be imposed on the matters that had not been imposed the by-laws.	Inform that actions would be taken to impose the by-laws on the matters that had not been imposed the by-laws.
(b) <b><u>Action Plan</u></b> i. A Process to measure the Progress of the Activities entered in the Action Plan for the year 2019 had not been available.	A Process to measure the Progress of the Activities entered in the Action Plan should be made.	Inform that a Process to measure the Progress of the Activities entered in the Action Plan would be made in the Action Plan for the year 2020.

- ii. 72 Road Projects of Rs.23,184,718 had been completed out of the Action Plan without doing the projects entered in the Action Plan for the year under review even though it had been recognized the priority on 79 projects. Projects should be implemented according to the Action Plan. Inform that the projects would be implemented according to the Action Plan from the year 2020.

(c) **Targets on Sustainable Development**

No anything had been done to alleviate the Poverty except starting a construction of a Multi-functional Stall near Mawak Oya. Actions should be taken to accomplish the targets of Sustainable Development. Inform that the action would be taken to completed the Multi-functional Stall near Mawak Oya

**3.2 Human Resources Management**

**Audit Observations**

**Recommendations**

**Comments of the Accounting Officer**

**(a) Employee Vacancies and Excess**

- i. There had been 19 vacancies on 12 Posts. Actions should be taken to fill the vacancies. The Commissioner of Local Authority had been aware of the appointments of posts Development Officer and Librarian, a lawsuit had being carried out in the court on the appointment of post Revenue Inspector and the other appointments for the remaining posts had been canceled.
- ii. 28 Employees had been appointed for 05 Primary Level posts without an approval on Substitute Basis and paid Rs.6,347,759 for the year under review by the Sabha Fund. The relevant approval should be obtained when appointing on the Substitute basis. Inform that the appointments had been made because the prevailing employees were not enough.
- iii. Actions had not been taken to pay the increments on 45 primary employees for 05 years and 07 employees for 04 years. The increments should be paid on the specific date for the employees appointed within the Sabha. Inform that all the increments of the employees would be paid before the end of the year 2020.

**(b) Employee Loans**

The loan balance that should be recovered from 06 officers diseased and left the service from the year 2014 had been Rs.18,700.	The loan balance should be recovered.	Inform that the actions would be taken to recover the loan balances in the future.
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**3.4 Assets Management**

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**Idled and Underutilized Assets**  
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**Audit Observations**

**Recommendations**

**Comments of the Accounting Officer**

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The Duplo Machine owned by the Organization had been inactive.

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Actions should be taken to repair and reuse or auction.

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Inform that actions would be taken to repair and reuse or auction the Duplo Machine.

**3.5 Vehicle Utilization**

**Audit Observations**

**Recommendations**

**Comments of the Accounting Officer**

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The registration Books of 02 Vehicles owned by the Sabha had been lost therefore the year which the last revenue license had been obtained could not be found.

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The Vehicles owned by the Sabha should be registered annually.

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Inform that it would be registered under the name of the Sabha.