

## **Horana Urban Council**

### **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 30 March 2017 and the financial statements for the preceding year had been presented on 31 March 2016. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Council 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 as at 31 December 2016 give a true and fair view of 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) Provision for creditors had not been made with regard to the expenditure of Rs.360,503 payable for the year under review.
- (b) The fixed deposits of Rs.15,821,566 as at 31 December 2016 had been shown as Rs.15,751,244 in the financial statements resulting in an understatement of fixed deposits by Rs.70,322 in the financial statements.
- (c) The revenue from interest on fixed deposits of Rs.1,404,877 for the year under review had been shown as Rs.1,360,673 in the financial statements resulting in understatement of revenue from interest on fixed deposits and the revenue from interest receivable for the year under review, each by Rs.44,204.
- (d) The revenue for the year had been overstated by Rs.7,622,089 as a result of accounting the revenue from stamp fees of Rs.7,622,089 received during the year under review on behalf of the previous years as revenue of the year instead of crediting it to the Accumulated Fund Account.

- (e) The Arrears of Revenue Account should have been debited by Rs.51,500 and the Accumulated Fund Account credited by Rs.51,500 in order to rectify 2.2.1(g) of the Auditor General’s report of 2012. However, the other Revenue Account had been debited and the Accumulated Fund Account had been credited resulting in an understatement of Arrears of Revenue Account by Rs.51,500 and understatement of other revenue of the year under review by Rs.51,500 in the financial statements.

1.3.2 **Lack of Evidence for Audit**

Transactions totalling Rs.92,049,649 could not be satisfactorily vouched in audit due to non rendition of required information for audit.

2. **Financial Review**

2.1 **Financial Results**

According to the financial statements presented, the excess of revenue over recurrent expenditure for the year ended 31 December 2016 amounted to Rs.21,329,552 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.16,034,684 resulting in an improvement in financial results of the year under review by Rs.5,294,868.

2.2 **Revenue Administration**

2.2.1 **Estimated Revenue, Actual Revenue and the Arrears of Revenue**

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

<b><u>Item of Revenue</u></b>	<b><u>Estimated</u></b>		<b><u>Accumulated Arrears</u></b>	
	<b><u>Revenue</u></b>	<b><u>Actual</u></b>	<b><u>as at 31 December</u></b>	
	Rs.’000		Rs.’000	Rs.’000
(1) Rates and Taxes	17,592		15,742	6,302
(11) Lease Rent	4,853		4,016	1,476
(111) Licence Fees	180		180	--

### 2.2.2 **Rates and Taxes**

- (a) The arrears of rates and taxes at commencement of the year under review amounted to Rs.5,681,131. A sum of Rs.3,410,216 or 60 per cent had been recovered during the year.
- (b) The revenue from rates and taxes billed for the year under review amounted to Rs.14,865,461. Of this, 88 per cent or Rs. 13,035,794 had been recovered during the year under review.
- (c) The balance of rates and taxes recoverable as at 31 December 2016 amounted to Rs.5,204,367 Included in it were arrears of balances of Rs.1,256,057 exceeding 3 years, arrears of balances exceeding 5 years amounting to Rs.359,343 and arrears of balances of Rs.262,801 exceeding 10 years. Accordingly, it was observed that there was weakness in recovery of arrears of rates and taxes.

### 2.2.3 **Trade Tax**

The trade tax billed for 2016 amounted to Rs.2,005,080. Of this, a sum of Rs.1,990,080 had been recovered. Action had not been taken to recover the balance of Rs.15,000 during the year.

### 2.2.4 **Rent of Stalls**

- (a) A sum of Rs.841,022 or 56 per cent only had been recovered out of the arrears of rent of stalls of Rs.1,499,302 as at commencement of the year under review.
- (b) A difference of Rs.451,179 was observed between the Arrears of Reveue Satement and the register of stalls furnished for audit as at 31 December 2016. This difference continued to exist and the management had failed to explain the cause for this difference.
- (c) The assessment of rent of stalls furnished by the Department of Valuation had not been made use of. Instead, 50 per cent of the difference between the rent before the new assessment and the rent assessed by the Department of Valuation had been added to the rent and recoveries made accordingly. As a result, the Council had been deprived of an extensive revenue.

### 2.2.5 **Vehicle Parking Charges**

Action had not been taken to register the three wheelers parks within the authoritative area of the Council and to recover charges accordingly.

## 3. **Operating Review**

### 3.1 **Managment Inefficiencies**

#### (a) **Utilization of Vehicles**

Action had not been taken even by 15 May 2017 to act in terms of F.R 104 relating to vehicles and to hold investigations and to determine the persons responsible for losses and to recover losses with regard to accidents caused to vehicles/repairs and obtaining compensation which had been referred to in 4.1(a)(1) of paragraph 4 of the audit report of the previous year.

#### (b) **Goods not returned by the Chairman and Members of the Council**

Action had not been taken even by 15 May 2017 to receive 06 mobile telephones and a G.I. tube issued to the Chairman and members of the Council as referred to in 4.1.(c) of Paragraph 4 of the audit rept of the previous year.

#### (c) **Transactions of the Fire Extinguishing Unit**

Ambulance services had been rendered on cash and credit basis without a decision of the Council. The temporary receipt books of the fire extinguishing unit had been utilized for obtaining money. There was no intenal control or supervision regarding the cash collected by using the receipt books, return of used receipt books and receipt of new books and as such the sum of Rs.60,163 receivable had not been brought to account.

#### (d) **Misplacement of Library Books**

Verification of books revealed that 22 books valued at Rs.3,396, 03 books valued at Rs.275 and 40 books valued at Rs.8,822 had been misplaced at the Horana Public Library of the Urban Council, Retiyagala Pangngnasara Thero Memorial Public Library and the Karunasena Jayalath Memorial Children's Library respectively. But, necessary action had not been taken in this regard.

### 3.2 **Idle and Under utilized Physical Resources**

- (a) The balance of Rs.99,885 of the Urban Development Authority Account existing since 2009 remained idle.
- (b) Latrines and bathing rooms had been constructed at Somananda Mawatha ( Close to the bus stand) in 2009 by spending Rs.5,200,445. Of this, the latrines only had been allowed for usage of the public and the bathing rooms remained idle.
- (c) Action had not been taken to repair and make use of 2 vehicles belonging to the Council.

### 3.3 **Land and Buildings**

The entire land and buildings of the Council had not been entered in the register of fixed assets of the Urban Council. The land and buildings with legal title deeds only had been entered in it. Further, the following matters were observed regarding the land and buildings of the Council.

#### (a) Children's Library and the Children's Playground

There were no title deeds for this land. An unauthorized external party had occupied a portion of the playground and had engaged in business activities.

#### (b) A library and a Pre-school at Wewala

Unauthorized settlers had occupied about 10 perches of this 2 roods, 24.05 perches land and the Council had not taken action to reclaim the occupied land.

#### (c) Royal Gardens (Land Auctioned at Horana Waththa)

This land of 2 roods and 06 perches had been obtained for common amenities during auctioneering of lands. The owner of the adjoining land had encroached a portion of it to extend his house. Action had not been taken to take legal action in this regard and to reclaim the land due to council.

#### (d) Resewoodwaththa

This land of 03 acres and 05 perches close to the Urban Council playground had been obtained by a vesting order in 1971. This land had been vested with the Urban Council so as to construct a building for the Urban Council and for construction of houses to the staff of the Urban Council. However, at present,

this land had been illegally occupied by Employees of the Urban Council and many of their descendants and certain outsiders who had built houses in the land.

(e) Haalgodella Land

The Council had not taken action to evacuate many unauthorized settlers who had built houses in this land of 01 acre, 02 roods and 13 perches.

3.4 **Solid Waste Material Management**

- (a) The Council had to incur a vast expenditure of Rs.6,319,970 during 2015 and 2016 due to the absence of proper procedures to dispose of, the undecayable garbage collected in the area of the Council and due to entrusting the work to external parties. The Council had not taken action to impose garbage tax to meet this expenditure and to frame bye-laws for garbage management.
- (b) A minor employee of the Council had constructed a house in a portion of this extensive land of 01 acre, 02 roods and 27 perches and no action had been taken in this regard. A building had been constructed at Alubogahawaththa land for a workshop and a garbage centre. This workshop remained idle at present and separation of garbage only had been carried out at the garbage centre. The Council had spent Rs.4,056,250 for disposal of garbage during the year 2016 itself. Action had not been taken to recycle and compost the garbage.

4. **Systems and Controls**

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

- (a) Accounting
- (b) Revenue Administration
- (c) Budgetary Control
- (d) Waste Material Management
- (e) Fixed Assets Control