

Horana Pradeshiya Sabha

Kalutara District

1. Financial Statements

1.1 Presentation of Financial Statements

While Financial Statements for the year 2017 on 29 March 2018 and the amended Financial Statements on 18 September 2018 had been submitted to Audit, the Auditor General's Report relating to those was sent to the Chairman on 15 October 2018.

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 2017 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

Following deficiencies were observed.

- (a) Although a balance of Rs. 11,698,675 had been credited to the Accumulated Fund, debit entry relevant to it had not been shown.
- (b) Accounting deficiency pointed out in paragraph 2.2.1 (d) of the Auditor General's Report for the year 2016 had not been rectified.

1.3.2 Accounts Receivable and Payable

Value Added Tax amounting to Rs. 2,398,988 payable to the Department of Inland Revenue for the period from the year 2002 to 2012 had not been paid even up to the end of the year under review.

1.3.3 Lack of Written Evidence for Audit

Six items of accounts totalling Rs. 34,793,939 could not be satisfactorily verified / vouched in audit due to non-remission of relevant schedules.

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

 Instances of non-compliance with laws, rules, regulations and management decisions are shown Below.

Reference to laws, rules, and regulations and management decisions.	Value	Non-compliance
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	Rs.	
(a) Pradeshiya Sabha Act No.15 of 1987. (i) Section 134 (1)		A new identification for Rates, subject to sanction of the Minister had not been made by the Sabha.
(ii) 154 (1)		One percent revenue out of the sale price of lands auctioned in the area of authority of the Sabha had not been obtained
(b) Pradeshiya Sabha (Financial and Administration) Rules of 1988. Rule 218	63,674,172	All lands and buildings belong to the Sabha had not been inspected at least once in every year.
(c) Circular No. 2/2011 dated 24 February 2011 of the Director General of Pensions Clause 4.1	635,045	Although the contributions of casual and temporary employees should be remitted to the Public Service Provident Fund, the sum of Rs. 635,045 paid as fines due to delay in remitting money to the Employees Trust Fund and Employees Trust Fund had not been recovered from the officers responsible for that.

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 2017 had been Rs.4,900,792 as against the excess of recurrent expenditure over revenue amounted to Rs. 10,485,433 in the preceding year.

2.2 Revenue Administration

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

Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year as furnished are shown below

Source of Revenue	<u>2017</u>				<u>2016</u>			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total Balance as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Balance as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	15,528,874	13,102,390	13,939,952	3,745,463	15,432,100	14,496,868	12,077,553	4,583,025
(ii) Rent	3,682,000	2,008,955	1,744,816	264,139	3,477,000	1,994,251	1,901,081	93,720
(iii) License Fees	1,096,625	907,339	871,338	-	1,047,000	916,192	916,192	-
(iv) Other Revenue	106,990,400	-	58,474,463	-	75,721,900	-	57,626,130	-

2.2.2 Performance in Revenue Collection

While overall arrears of revenue at the beginning of the year under review amounted to Rs. 4,676,745, billings during year amounted to Rs. 16,018,685. Receipts, write-off and adjustments within the year had been 16,685,828 and accordingly overall arrears of revenue amounted to Rs.4,009,602.

2.2.3 Rates and Taxes

(a) Rates

- (i) While there was an arrears sum of Rs. 4,507,492 at the beginning of the year under review, a sum of Rs. 2,733,734 or 61 percent of the arrears had been recovered during the year.
- (ii) While Rates Revenue billed for the year under review was Rs.9,071,879, out of that a sum of Rs. 7,434,814 or 82 percent had been recovered.
- (iii) There were balances amounting to Rs. 1,163,437 due from 1055 units from 01 to 03 years, Rs. 271,277 due from 212 units from 03 to 05 years, Rs. 704,403 due from 573

units from 05 to 10 years and Rs. 441,356 due from 348 units for more than 10 years in Rates Revenue in arrears totalling Rs. 3,410,822 at the end of the year under review.

(b) Acreage Tax

While there was balance of Acreage Tax in arrears amounting to Rs. 75,533 at the beginning of the year under review, out of the arrears a sum of Rs.45,040 or 60 percent had been recovered. Accordingly, a further balance of Rs.30,493 was outstanding.

2.2.4 Other Revenue

Vehicles Parking Fees

Although the Sabha had adopted the standard by-laws relating to the parking of three wheeled vehicles in order to recover fees from three wheeler parks in the area of authority of the Sabha, action had not been taken to identify the three wheeler parks and recover fees.

2.2.5 Court Fines and Stamp Fees

Court Fines amounting to Rs. 9,261,328 and Stamp Fees amounting to Rs. 59,270,556 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31December 2017.

3. Operating Review

3.1 Performance

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public thoroughfares, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

(a) By-laws

Although by-laws should be imposed under Section 126 of the Pradeshiya Sabha Act for fulfillment of 16 main functions, by-laws had been imposed by the Sabha only for 04 subjects even as at 31 December 2017.

(b) Solid Wastes Management

While an expenditure amounting to Rs. 30,510,949 had been incurred by the Sabha for solid wastes management during the year 2017, necessary course of action had not been taken to cover or minimize that expenditure. While by-laws had not been impose for wates management,wastes tax too had not been imposed to minimize cost on account of wastes.

(c) Sustainable Development Targets.

 The Sabha was not aware of the Agenda - 2030 with regard to sustainable development objectives. Due to that, long term plans through new global index for uplifting of living standard and health of the people in the area of authority of the Sabha had not been prepared even as at 23 April 2018.

3.2 Human Resources Management

(a) Staff Vacancies and Excesses

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- i. While there were 6 vacancies of officers in secondary level, there was an excess of one person.
 - ii. Although there were no vacancies in 06 posts of approved cadre, 43 officers had been recruited as permanent employees without getting approval for the increased cadre.

(b) Staff Loans

 A loan balance of Rs. 18,700 was outstanding since the year 2014, from 06 employees who had vacated service.

3.3 Operational Inefficiencies

 Although there were 285 constructions finalized building applications in Kananvila Sub-office and Pokunuvita Sub-office, certificates of conformity had been obtained only by 28 persons out of those. Action had not been taken to provide certificates of conformity to the balance individuals.

3.4 Assets not vested

 The Sabha had no deeds or other declarations in support of the ownership of Sabha portion of Elabodawatta land, Poruwadanda, Puwakwatta alias Bandarawatta and portion of Kanattawatta land and buildings therein.

3.5 Transactions of Extraneous Nature

 The Sabha had paid a sum of Rs. 677,299 to 09 clinic labourers who are not Sabha employees, for Participating in the clinic conducted by the office of the Horana , Medical Officer of Health.

3.6 Un-economic Transactions

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- (a) Although the JCB Machine had been repaired only on the basis of the recommendations and approvals of the Mechanical Engineer of the Provincial Roads Development Authority, a sum of Rs. 1,613,393 had been spent for repairs from time to time during the period from the year 2016

to 2017. If the defects of the machine were inspected once and for all and repaired, this expenditure could have been minimized and vehicle could have been effectively engaged in service.

- (b) A sum of Rs. 228,000 had been paid as salaries, on behalf of an individual recruited as a boatman to provide relief to public who suffered from floods even after finalizing such work.
- (c) A sum of Rs. 3,888,500 had been paid for engaging un-skilled employees in service on the basis of payment of a per diem allowance of Rs. 1,000, in spite of availability of adequate permanent and substitute labourers.

3.7 Procurements

Although the price submitted by the supplier selected out of suppliers sent quotations for the supply of Watts 23 CFL Bulbs, it had not been subject to the attention of the Committee engaged in opening the quotations, while a loss of Rs. 20,000 had been suffered in purchasing the Watts 23 CFL Bulbs due to the delay in selection for the year 2017.

4. Accountability and Good Governance

4.1 Budgetary Control

Variances in a range from 10 percent to 94 percent between the budgeted revenue and actual revenue, and variances in a range from 17 percent to 70 percent between the budgeted expenditure actual expenditure were observed. Therefore, it was observed that, the budget had not been made use of as an effective tool of management.

5. Systems and Controls

Deficiencies observed were brought to the notice of the Sabha through audit queries issued from time to time. Special attention of the Sabha is needed in the following areas of controls.

System	Deficiency
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(a) Accounting	Continuous submission of amended accounts over a number of years due to non-remission of correct accounting reports.
(b) Assets and Properties	i. Not obtaining title deeds. ii. Non-indicating the values in the registers.
Debtors / Creditors	i. Non-preparation of schedules.
(c)	ii. Non-preparation of age analysis.
(d) Staff Management	i. Not getting approval for cadre. ii. Not completing the vacancies.
(e) Budgetary Control	i. Material variances between the budget and the actual expenditure ii. Unrealistic revenue estimates