

**Horana Urban Council**

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**Kalutara District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2018 had been presented for audit on 30 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 30 May 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 Urban Council 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**

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
i. The Salary Reimbursements for the preceding years of Rs.8,060,134 had been stated as an income for the year under review in the financial statements.	Should be accounted correctly.	Agreed with the shortcoming.
ii. The Members' Allowances for the year under review had been Rs.1,710,000 but it had been stated as 1,515,000 in the financial statements.	Should be accounted correctly.	Actions would be taken to correct.
iii. The Capital Assets repair and maintenance expenditure for the year under review had been Rs.462,139 but it had been stated in the financial statements as Rs.1,039,348.	Should be accounted correctly.	Agreed.

- iv. The balance in the Industry Cash Book had been overstated by Rs.48,258 and the balance of the Employee Loan Account had been understated by Rs.23,566 as at 31 December 2018. Should be accounted correctly. Actions would be taken to correct in the future.
- v. The Furniture and Equipment purchased on Loan Basis of Rs.246,000 for the year under review had not been capitalized. Should be accounted correctly. Actions would be taken to correct in the future.
- vi. The Project Expenses and the value of Debtors for the year under review had been overstated by Rs.536,065 in the financial statements. Should be accounted correctly. Actions would be taken to correct in the future.
- vii. The miscellaneous debtors balance had been less Rs.153,836 because the amount payable as at the end of the year under review to the Director General of Pensions had been stated as Rs.53,401 even though it had been 207,237. Should be accounted correctly. Actions would be taken to correct in the future.
- viii. The printer had been received as donation during the year under review of Rs.36,000 had not been capitalized. Should be accounted correctly. Actions would be taken to correct in the future.
- ix. The book value of Rs.2,421,971 had been entered into the accounts instead of the physical value. The physical stock should be taken the physical stock. Actions would be taken to correct in the future.

**b) Unreconciled Accounts**

----- <b>Audit Observations</b> -----	----- <b>Recommendations</b> -----	----- <b>Comments of the Accounting Officer</b> -----
A difference of Rs.95,473,837 between the balances of 08 items of accounts in the Financial Statements of Rs.93,652,478 and its balances shown in the subsidiary registers.	The differences in the accounts should be reconciled and corrected.	The Details regarding the differences are not in the Archives.

c) **Lack of Necessary Documentary to Evidence for Audit**

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
Accumulated value of Rs.6,612,315 on two items of accounts could not be satisfactorily vouched during the audit due to non rendition of update Rates Register, Advances Register and the Subsidiary Documents.	The Rates Register should be updated and the accurate subsidiary registers should be forwarded on the balance of advance.	Inform that the Details had not been available to make the Advance Register and the rates register could not be updated because of the errors in the Computer System.

**1.4 Non Compliances**

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

<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>
(a) 1988 Pradeshiya Sabha (Finance and Administration) Rules	6,320,391	All the income and the fines that should be charged to the Unban Council had not been recovered.	Actions should be taken according to Urban Council Ordinance.	Actions would be taken to recover the arrears.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R 517	1,186,209	Actions had not been taken on the deposits expired.	Actions should be taken according to the Financial Regulations.	Answers had not been provided.
(c) Gazette No.1553/16 on 25 January 29		07 places that should be obtained the Environmental Security License had been issued.	Actions should be taken according to the Gazette.	Actions would be taken to issue the License in the future.

(d) Gazette of 756,950 The charges had not been Actions should be The legal actions Democratic Socialist recovered from 131 Bulletin taken according to had been taken to Republic of Sri Boards. the Gazette. recover the arrears. Lanka dated 29 December 2017

**2. Financial Review**  
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**2.1 Financial Results**  
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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.38,105,742 as compared with the excess of the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.27,311,671.

**2.2 Financial Control**  
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**Audit Observations**  
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**Recommendations**  
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**Comments of the Accounting Officer**  
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Action had not been taken to use a cash balance of Rs.99,885 had been remained idled since the year 2009 in the Current Account of the Authority of the Urban Council for an effective task.

The relevant cash should be used for an effective task.

A discussion had been done to use this cash on a project.

**2.3 Revenue Administration**  
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**2.3.1 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	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	15,800,000	15,638,334	13,517,038	4,836,766	15,750,000	15,527,405	15,219,338	2,884,000
(ii) Rent	8,952,100	8,494,064	6,382,925	2,597,165	8,815,072	8,910,082	6,874,275	2,7107,030
(iii) Licence Fees	1,931,500	1,941,300	1,585,700	383,100	2,200,000	2,014,260	1,996,260	30,500
(iv) Other Revenue	25,842,000	10,873,887	553,719	10,320,168	760,000	1,012,889	748,486	264,403

### 2.3.2 Rates and Taxes

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<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
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i. The opening balance of the arrears in the rates for the year under review had been Rs.2,872,864 but 58 per cent of Rs.1,679,381 had not been recovered at the end of the year.	Actions should be taken to recover the rates in arrears soon.	Actions would be taken to recover the rates in arrears.
ii. The annual billing had been Rs.14,842,534 and it had been recovered 85 percent of Rs.12,683,210 during the year under review. The rates in arrears as at the end of the year had been Rs.4,112,277 and it had been recovered Rs.1,337,203 as at 28 May 2019 and further rates in arrears had been Rs.2,735,074.	Actions should be taken to recover the rates in arrears soon.	Actions would be taken to recover the rates in arrears.
iii. A time analysis had not been made for the rates in arrears.	A time analysis should be made on the rates in arrears.	A time Analysis had been difficult to obtain by the prevailing Computer Software and actions would be taken to make a time analysis in the future.

### 2.3.3 Stall Rent

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<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
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i. The rent at the beginning of the year had been Rs.2,823,269 and it had been written off Rs.432,865 within the year and the balance had been remained further of Rs.484,385.	The arrears income should be recovered.	A balance of Rs.179,599 out of that amount had been irrecoverable and actions had been taken to write off that balance and also Legal action had been taken to recover the remaining balance of Rs.304,785.

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| ii. The billed income for the year under review had been Rs.8,916,493, it should be recovered Rs.1,277,963 as at 31 May 2018. | The arrears income should be recovered. | Actions would be taken to recover the arrears income. |
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**2.3.4 Trade License Income**  
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<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
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The Stamp Duty relevant for the year had not been recovered and it had been Rs.10,000,000 as at 31 December 2018.	Actions should be taken to recover the Stamp Duty.	The Subsidiary Registers should be prepared and forwarded to recover the stamp duty.

**3. Operating Review**  
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**3.1 Performance**  
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**Audit Observation**

**Recommendation**

**Comments of the Accounting Officer**

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(a) <b><u>By-laws</u></b> Even though by-laws should be imposed on 15 main matters under the Section 157 of the Pradeshiya Sabha Act as at 31 December 2018, the by-laws had been imposed only on 04 matters.	Action should be taken to allocate necessary by-laws on the matters that had not been considered.	The by-laws had been imposed on the 14 matters.
(b) <b><u>Action Plan</u></b> i. Even though the responsible Officers and the Supervising Officers for 260 activities of 0 Sections had been declared by the Sabha and Rs.208.24 million provisions had been allocated by the Budget 2018, Sabha had no sufficient procedure to measure the progress.	Actions would be taken according to the Circular	The actions would be taken according to the correct in the future.
ii. Even though Sabha had been made Rs.208.24 million provisions by the Budget Estimate for capital and recurrent expenditure only Rs.21.83 million provisions had been incurred in the action plan.	An imprest plan should be made with the annual action plan.	The Action Plan had been made under the priority given by each sector to the activities, programs and according to the provisions allocated.

iii. The provisions allocated for the Sabha of Rs.4.4 million had been exceeded and spent Rs.23.48 million on 41 projects and Rs.19.08 million has been over spent for the projects without making estimates and certified. The projects in the Action Plan should be based on the provisions allocated by the annual budget. The controls and decisions making had been taken over by the new Sabha with new members in 2008.

(e) **Solid Waste Management**

Sabha had been made a vital expense of Rs.31,250,113 on the disposing of the waste not decay within the Sabha Territory in the year 2018 because of no formal procedure and outsourcing and the amount of Rs.1,520,011 income had been collected as Garbage tax. The Expense for Disposal of Waste should be minimal. The disposal of garbage would be done through a formal procedure.

(c) **Targets of Sustainable Development**

Even though Sabha had been aware of the Agenda on the Targets of Sustainable Development 2030 it had not been made a long term plan as at 31 December 2018 for developing the life and health of the public by New Global Indices. The Long term plan should be made in order to achieve the sustainable development Targets. Provided rice to make Porridge to among 04 families in order to alleviate poverty and 02 gymnasiums had been started in order to control Non-communicable diseases.

**3.2 Human Resources Management**

**Audit Observations**

**Recommendations**

**Comments of the Accounting Officer**

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| i. A Supra Grade management Assistant had been covering the duty of the Secretary.  | Actions should be taken to recruit for the vacancies. | Actions would be taken to fill up the vacancies. |
| ii. One posts of third level had been vacant as at 31 Maya 2019 in the Sabha.   | Actions should be taken to recruit for the vacancies. | Actions would be taken to recruit in the future. |
| iii. Librarian, Revenue Inspector, Montessori Teacher, Health Inspector, Guardian for the Stadium one person of each post, 03 posts of fire fighters, and 14 posts of primary level had been vacant in the Sabha. | Actions should be taken to recruit for the vacancies. | Actions would be taken to recruit in the future. |



### 3.3 Procurement

#### Contract Administration

Audit Observation	Recommendation	Comments of the Accounting Officer
a. 04 projects had been entered when making procurements plan cost of Rs.2.55 million even though Rs.27.65 million had been allocated for the capital expenditure in the annual budget.	The Capital expenditure in the annual budget should be entered into the Procurement Plan.	It had been entered in the Procurement Plan.

## 4. Accountability and Good Governance

### 4.1 Audit Observations not Resolved

Audit Observation	Recommendation	Comments of the Accounting Officer
i. Actions had not been taken to remove unauthorized trade stall built by a third party in a part of the Stadium.	Should be removed the unauthorized building.	Actions would be taken to remove the unauthorized building.
ii. A third party had been taken over unauthorized a part of 10 perches from the Land owned by the Sabha where Wewala Montessori had been located.	Should be removed the unauthorized building.	Actions are being taken to acquire the ownership.
iii. A land of 02 roods 06 perches given to the Sabha for Public Welfare from the Soranawatta Land Auction in the year 1994 had been taken over by a neighbor without permission.	Should be removed the Unauthorized building.	Actions are being taken to acquire the ownership.

- iv. No title Deeds for the Sabha on the Lands where the Horana Library and the Old Urban Council, Public Stadium, Children Park, the Montessori near the Children Park and the Fire Unit had been located. Actions should be taken to obtain the Title Deeds. The Details had been sent to the Secretary of the Pradeshiya Sabha to obtain transfer orders.