

**Horana Urban Council**

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**Kaluthara District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2019 had been presented for audit on 28 February 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 31 July 2020 and 30 September 2020 respectively.

**1.2 Qualified Opinion**

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 Urban Council 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**

**a) Accounting Deficiencies**

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
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i. The book value of Rs.3,936,747 had been accounted for the physical value as the value of the Stock.	Should be accounted correctly.	Inform that it would be corrected in the future.
ii. The Contribution of Pension amount payable for the preceding year of Rs.228,429 had been credited only to the creditors' account.	Should be accounted correctly.	Inform that it would be corrected by the Final Accounts for the year 2020.
iii. The salaries for the Common Administration Program of Rs.113,632 and payment of benefits of the Pension by Rs.13,632 had been overstated.	Should be accounted correctly.	Inform that it would be corrected by the Final Accounts for the year 2020.
iv. The Capital Assets repairs and maintenance expense had been understated by Rs.200,000 in the Program for Physical Plans and Roads.	Should be accounted correctly.	Inform that it would be corrected by the Final Accounts for the year 2020.

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| v.    | The Warrant Fees Income for the year under review had been overstated by Rs.177,860.  | Should be accounted correctly. | Inform that it would be corrected by the Final Accounts for the year 2020. |
| vi.   | License Fees had been understated by Rs.230,121.  | Should be accounted correctly. | Inform that it would be corrected by the Final Accounts for the year 2020. |
| vii.  | The Donations income for the year under review had been overstated by Rs.99,995.  | Should be accounted correctly. | Inform that it would be corrected by the Final Accounts for the year 2020. |
| viii. | The Rent Income for the year under review had been overstated by Rs.307,975.  | Should be accounted correctly. | Inform that it would be corrected by the Final Accounts for the year 2020. |
| ix.   | Purchasing of Ayurvedic Medicine for the year under review by Rs.9,014,813 and Ayurvedic Stores Issues by Rs.9,010,009 had been overstated. | Should be accounted correctly. | Inform that it would be corrected by the Final Accounts for the year 2020. |

**b) Unreconciled Accounts**

----- <b>Audit Observations</b> -----	----- <b>Recommendations</b> -----	----- <b>Comments of the Accounting Officer</b> -----
A difference of Rs.13,860,851 had been observed between the balances of 09 items of accounts in the Financial Statements of Rs.57,552,551 and its balances shown in the subsidiary registers.	The differences in the accounts should be reconciled and corrected.	Inform that actions would be taken to correct the difference.

**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.101,516,046 on five items of accounts could not be satisfactorily vouched during the audit due to non-remission of updated Fixed Assets Registers and the Subsidiary Documents.	Evidence should be rendered to confirm the balances showed in the Financial Statements.	Inform that it would be rendered 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) <u>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</u>				
(i) F.R 104		Actions had not been taken according to the Financial Regulations on the accident occurred to the Ambulance on 01 November 2018.	Action should be taken according to the Financial Regulations.	Inform that a lawsuit is being examined in the court on this accident therefore a inspection report could not be made till the details would be obtained.
(ii) F.R 371(b)	3,761,141	Ad hoc Advances had not been settled.	Action should be taken according to the Financial Regulations.	Actions would be taken to correct in the future.
(iii) F.R. 571(1)(2)		- Actions had not been taken against the Deposits expired.	Action should be taken according to the Financial Regulations.	Actions would be taken in the future after appointing a committee.
(b) Section 3.1 of the Public Administration Gazette no.2016/30 dated 29 December 2016.		- The Fuel Consumption of 09 Vehicles had not been inspected.	Actions should be taken according to the Gazette.	Inform that the inspections on the Fuel Consumption had been done.
(c) Gazette of Democratic Socialist Republic of Sri Lanka dated 07 December 2018	45,800	The Hoarding Board Charges from 07 Notice Boards had not been recovered.	Actions should be taken according to the Gazette.	Inform that a report had been rendered on the recovered amount up to now.

## 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 2019 amounted to Rs.33,352,293 as compared with the excess of the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.38,105,742.

## 2.2 Financial Control

Audit Observations	Recommendations	Comments of the Accounting Officer
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.	Inform that it would be used on an effective task in the year 2020.

## 2.3 Revenue Administration

### 2.3.1 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.

		2019				2018			
Source of Revenue		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	17,310,000	17,122,711	14,151,134	7,002,410	17,310,000	17,274,634	14,797,738	5,219,866
(ii)	Rent	8,952,100	9,120,082	6,788,048	2,993,538	8,952,100	8,494,064	6,382,925	2,597,165
(iii)	License Fees	500,000	494,000	494,000	-	421,500	305,000	305,000	-
(iv)	Other Revenue	25,905,000	15,636,593	636,593	15,000,000	25,842,000	10,873,887	553,719	10,320,168
		52,667,100	42,373,386	22,069,775	24,995,948	52,525,600	36,947,585	22,039,382	18,137,199

### 2.3.2 Performance in Collection of Revenue

#### (a) Stall Rent

Audit Observations	Recommendations	Comments of the Accounting Officer
i. Actions had not been taken to renew the time lapsed Stall Rent Agreements of 13 Stalls in the Old Market.	Stall Agreements should be renewed for the Stalls with time lapsed Agreements.	The Agreements had been renewed for the Stalls with time lapsed Agreements.

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| ii.  | Even though the Assistant Commissioner of Local Authorities had been noticed in March 2019 to take over the Stalls which had been given on interim lease and lease out the Stalls again with the relevant Procurement Procedure it had not been done. And also actions had not been taken to recover the rent in arrears from Stall No.02 from January 2019 to December of Rs.48,000. | Actions should be taken to take over the Stalls which given on interim lease and lease them out again.   | Inform that actions would be taken to take over the Stalls and follow the Procurement Procedure and make the future actions. |
| iii. | The Arrears in Electricity charges from 08 Stalls owned by the Sabha had been Rs.540,935.   | The Electricity Charges that should be recovered from the Stalls owned by the Sabha should be recovered. | It had been mentioned about the recovery of the Arrears in Electricity Charges till 31 March 2020.                           |

**(b) Entertainment Tax**  
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<b>Audit Observations</b> -----	<b>Recommendations</b> -----	<b>Comments of the Accounting Officer</b> -----
The Arrears in Entertainment tax at the beginning of the year under review had been Rs.1,085,903 but it had been recovered only Rs.49,814 out of it.	The Arrears should be recovered as soon as possible.	Legal actions had been taken against the long term arrears amount.

**2.3.3 Stamp Duty**  
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<b>Audit Observations</b> -----	<b>Recommendations</b> -----	<b>Comments of the Accounting Officer</b> -----
The Stamp Duty that should be recovered from the Chief Secretary of the Provincial Council and other officers as at 31 December 2019 had been Rs.25,000,000.	Arrears should be recovered.	All the Documents to recover the receivable Stamp Duty had been forwarded to the Chief Secretary of the Provincial Council.

### 3. Operating Review

#### 3.1 Performance

##### Audit Observation

##### Recommendation

##### Comments of the Accounting Officer

#### (a) Action Plan

- i. A Specific procedure to measure the progress of the activities entered in the Action plan was not available.
- ii. The provisions of Rs.19.2 millions had been entered in the annual action plan for the Physical Plans and Roads Head even though it had allocated only Rs.12 millions by the Budget.

A Specific procedure to measure the progress of the activities entered in the Action plan should be made.  
The annual Action Plan should be made according to the Annual Budget.

Heads of the Departments had been appointed to measure the progress.

No Comments.

#### (b) Solid Waste Management

A Huge expense of Rs.43,811,000 had been spent for outsourcing in the year 2019 because of not having a regular procedure for the disposal of Non-perishable garbage within the authority of Sabha.

The Solid Waste Management should be regulated.

The Final garbage had been disposed by a private institution because of not having a proper place to dump it.

#### (c) Targets of Sustainable Development

A Procedure or a long term plan had not been made to Higher The Lives of poor and Get Rid Of Poverty other than a Program of awareness to alleviate the poverty, even though Sabha had been made a Development Plan for the year 2019-2020.

Actions should be taken according to the Circular.

A Program of Porridge and Milk for 04 poor families had been implemented to alleviate the poverty.

### 3.2 Management Inefficiencies

##### Audit Observations

##### Recommendations

##### Comments of the Accounting Officer

- (a) Actions had not been taken to auction a Tractor that could not be able to use even though an assessment of Rs.15,000 had been obtained to auction.

The Goods that had been recommended to auction should be auctioned.

Actions would be taken to auction after obtaining an inspection report from a Committee consisted of mechanical engineer.

(b) The Garbage Dump Truck repairs had been inactive from the year 2017.	It should be used after the repairs.	Actions are being taken to auction because it could not be repaired.
(c) Actions had not been taken to remove an unauthorized stall carried out in a part of the Children's Park	The property should be acquired to the Sabha after evacuating the unauthorized occupants.	Actions are being taken to evacuate.
(d) Actions had not been taken to acquire a10 Perches land taken over by unauthorized occupants where the Wewala Kindergarten had been located.	The property should be acquired to the Sabha after evacuating the unauthorized occupants.	Inform that actions would be taken under the advice of the Minister in Charge of the Subject.
(e) Actions had not been taken to acquire the part of land taken over by a neighboring land owner without an authority of the land of 02 Roods and 06 Perches shared for the Sabha from the Soranawatta Auction Land for the Public Facilities in 2019.	The property should be acquired to the Sabha which consumed without an authority.	The unauthorized occupant had been aware according to the advice of the Sabha Lawyer.
(f) The Deeds were not been available for the Lands used by the Urban Council where the Library Building, the Old Urban Council Building, Public Stadium, Children's Park, the Montessori near the Children's Park, fire unit had been located.	The lands owned by the Sabha should be surveyed and obtained the Deeds.	Inform that the action are being taken to obtain the Deeds.

### 3.3 Human Resources Management

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<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
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<b>(a) <u>Employee Vacancies and Excess</u></b>		
i. A Supra Grade Management Service Officer had been appointed to cover the vacant Secretary Post.	Actions should be taken to fill the vacancies.	Actions would be taken to fill the vacancies after appointed by the Secretary of Local Government (W.P).
ii. A temporary Doctor had been appointed excess the Post of Ayurvedic Doctor entered in the approved cadre.	The Staff should not be appointed excess the approved cadre.	A temporary doctor had been appointed to work at the times when the Ayurvedic Doctor on leave.

iii. There had been 14 vacancies in the posts of Revenue Inspector, Data Processor, Montessori Teacher, Traffic Warden, Field Labourer, health Labourer, House officer and Fire fighter.      Actions should be taken to fill the vacancies.      Inform that the vacancies would be filled.

**(b) Employee Loans**

The loan balance that should be recovered from 07 officers had been Rs.201,224 as at 31 July 2020.

The loan balance should be recovered.

Inform that the actions would be taken to recover the loan balances.