

## **Panadura Urban Council**

### **Kalutara District**

#### **1. Financial Statements**

##### **1.1 Presentation of Financial Statements**

Financial Statements for the year under review had been submitted to the Audit on 21 March 2014 while Financial Statements relating to the preceding year had been submitted on 28 March 2013. The Auditor General's Report relating to the year under review was issued to the Chairman of the Council on 19 November 2014.

##### **1.2 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 Panadura Urban Council as at 31 December 2013, its financial performance for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

##### **1.3 Comments on Financial Statements**

###### **1.3.1 Non-compliance with Sri Lanka Public Sector Accounting Standards**

A net value of rs.12,746,820 had been adjusted to the Accumulated Fund, for correction of balances relevant to prior years, contrary to Sri Lanka Public Sector Accounting Standard No.03 published vide Circular No.3/2013 dated 02 October 2013 of the Director General of Public Enterprises.

###### **1.3.2 Accounting Deficiencies**

Following observations are made.

- (a.) Although the amount billed for rates in the Divisions No. 2 and 5 for the year under review according to the Rates Registers was Rs. 16,204,400, in preparing the accounts amount billed in those 2 divisions had been accounted as Rs. 11,167,710. Due to that, Rates Revenue for the year under review and the balance in the Rates in Arrears Account had been understated in a sum of Rs.5, 036,690.
- (b.) Provisions for Creditors amounting Rs.595,428 in respect of the Works performed during the year under review and further amounts payable for the Councils Works and amounts payable amounting to Rs.29,848,504 for Maga Neguma Projects had not been made.

- (c.) While a sum of Rs. 1,153,998 had been entered twice in calculating the Work Debtors balance at the end of the year under review, a sum of Rs. 1,300,000 instead of Rs. 1,500,000 and a sum of Rs. 219,583 instead of Rs.279,683 had been accounted. Due to these errors, Capital Grants for the year under review and the Work Debtors balance had been overstated in a sum of Rs. 893,898.
- (d.) Although Revenue written -off totalling Rs. 4,308,010 and Staff Loans written -off amounting to Rs. 44,899 should be accounted through Journal entries, those amounts had been shown as receipts through cross entries in accounting. The amounts so written-off had been shown as receipts during the year in the Statement of Revenue in Arrears.

### 1.3.3 Lack of Evidence for Audit

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Transactions totalling Rs.28,838,900 could not be satisfactorily vouched in audit due to non-submission of required Information.

## 2. Financial Review

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### 2.1 Financial Results

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According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2013 amounted to Rs. 49,804,754 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 36,817,618.

### 2.2 Revenue Administration

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#### 2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

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Information furnished by the Chairman relating to Estimated Revenue, Actual Revenue and arrears of Revenue are shown below.

	Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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		Rs.'000	Rs.' 000	Rs. '000
(i)	Rates and Taxes	40,689	29,244	22,627
(ii)	Lease Rent	3,076	2,796	670
(iii)	Licence Fees	201	197	5

## **2.2.2 Rates**

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While the balance of Rates in arrears beginning of the year was Rs. 24,389,318, a sum of Rs.13,116,953 or 54 percent had been recovered. The total balance in arrear as at the end of the year had been Rs.22,368,701. Accordingly, overall progress in the recovery of rates was 63 percent.

## **2.2.3 Industrial Taxes and Business Taxes**

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While the balance of Industrial and Business Taxes outstanding as at end of the year under review was Rs.184,340, a sum of Rs. 82,150 from 45 establishments relevant to the year under review and a sum of Rs.102,190 from 66 establishments relevant to a period from 1 to 5 years were in arrears.

## **2.2.4 Trade Centers Rent**

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While the balance of Trade Centers Rent in arrears belong to the area of authority of the Urban Council as at end of the year under review was Rs. 661,290, out of that, a sum of Rs. 481,540 from 124 trade centers for a time range from 01 to 12 months and a sum of Rs. 179,750 from 23 trade centers for a time range from 12 to 24 were in arrears.

## **2.2.5 One Percent Tax Recovered On Land Sales**

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Although a Tax equivalent to 1 percent should be recovered out of the money received when a land situated within the area of authority of the Urban council is sold or auctioned in terms of Clause 165(d) (1) of the Urban Councils Ordinance (Chapter 255) by the Council, a sum of Rs. 31,463,408 had been recovered as 1 percent tax from 08 sales since the year 2008. While that amount had been 1 percent of the estimated value, however, action had not been taken to recover 1 percent of the sales value as at any time.

## **2.3 Operational Review**

### **2.3.1 Management Inefficiencies**

#### **(a.) Payment of Advances**

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Although an advance given for a particular work should be settled immediately after completion of that work in terms of Financial Regulation 371(a) of the Republic of Sri Lanka, a sum of Rs. 1,129,666 out of the advances paid during the period from the year 1990 to 18 December 2013 had not been settled even as at 30 September 2014.

**(b.) Time Lapsed Deposits**  
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Action in terms of Financial Regulation 571 of the Republic of Sri Lanka had not been taken either to take to revenue or to settle 3 years' time lapsed deposits amounting to Rs.6,751,299.

**(c.) Garbage Disposal**  
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Although a Bio Gas Unit had been constructed having spent a sum of Rs.774,593 out of funds of the Solid Waste Management Authority and the Council during the year 2010, while that Project had not been implemented, a systematic procedure had not been implemented by the Council for disposal of the garbage getting accumulated in the area of authority of the Council. A sum of Rs.5,166,642 to the Moratuwa Municipal Council and a sum of Rs.240,080 to a private entity for transport of garbage had been paid out of the Council Fund during the period from January to December 2013.

**(d.) Un-economical Expenditure**  
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Although a sum of Rs. 9,000 had been paid as Lawyer's Fees for a case filed by the Council relating to unauthorized constructions, case had been withdrawn on 07 November 2013. It was due to submitting the petition under the signature and name of the Secretary and sending the final notice under the signature of the Chairman. Accordingly, the amount paid had been an uneconomic transaction.

**(e.) Outstanding Staff Loans**  
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(i.) While the Staff Loans balance as at 31 December 2013 was Rs.25,584,364, out of that, balances of Rs.90,861 due from 12 officers left on transfers, Rs. 13,638 due from two retired officers, Rs.127,583 due from 05 officers vacated posts totaled to a balance of Rs. 232,082. Out of this balance, any installment had not been recovered during a time range from 1 to 14 years.

(ii.) There was an unidentified loan balance of Rs. 534,074 which had been brought forward over a number of years.

**2.3.2 Staff Management**  
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While the approved cadre of the Council had been 250, there were 232 employees as permanent staff and 62 employees as casual staff. Accordingly, there was a surplus of 44 employees in the cadre. The post of the Council's Secretary being the Chief Administrative Post had been vacant since 04 January 2012 while the post of Administrative Officer had been vacant since 01 January 2014.

### **2.3.3 Distraining Properties**

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While Revenue Overseers had been engaged in service as Distraining Officers for the recovery of rates in arrears as at 31 December 2011, following weaknesses were observed with regard to the activities relevant to the issue of Property Distraining Receipts Books for recovering the Rates in Arrears and remittance of cash to the Council.

- (i.) When issuing Receipts Books to the subject clerks for the preparation of arrears lists, those had not been issued according to numerical order.
  
- (ii.) Date of Issue and party to whom the Receipts Books were issued had not been mentioned with regard to the Receipt Books bearing Nos. 56, 64, 74,75, 89, 178, 179, 180, 181, 202 and 297.
  
- (iii.) Although it had been reported in the letter dated 08 May 2013 of the Management Assistant (Rates) of the Council that, the Receipt Book No. 183 issued on 23 July 2012 had been misplaced that receipts numbers from 18201 to 18247 had been written and that the total value of those receipts according to Arrears List was Rs. 230,977, action had not been taken to recover this amount up to 06 June 2014, date of audit.

### **5. Systems and Controls**

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Special attention of the Sabha is needed in the following areas of controls.

- (i.) Accounting
- (ii.) Revenue Administration
- (iii.) Assets Management