

## **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 17 June 2015 while Financial Statements relating to the preceding year had been submitted on 21 March 2014. The Auditor General's Report relating to the year under review was issued to the Secretary of the Council on 22 June 2015.

### **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 2014, its financial performance for the year then ended and cash flow in accordance with Generally Accepted Accounting Principles.

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

#### **1.3.1 Accounting Deficiencies**

Following observations are made.

- (a) Although a sum of Rs. 29,236,676 had been debited for amount payable as Expenditure at the end of the year under review, according to the schedule presented total of amount payable was Rs. 29,394,001.
- (b) Although the value of Ayurvedic Stores Stocks as at 31 December 2014 according to the Ayurvedic Stores Register was Rs. 199,931, in preparation of financial statements, that value had been shown as Rs. 76,569.

## **2. Financial Review**

### **2.1 Financial Results**

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2014 amounted to Rs.48,363,261as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 49,804,754.

## 2.2 Financial Control

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- (a) Advances amounting to Rs. 1,110,074 paid during the period from the year 1990 to 31 December 2014 had not been settled even as at 06 April 2015.
- (b) Action had not been in terms of Financial Regulation 571, either to take to the revenue or to settle, Deposits amounting to Rs. 3,248,956 that had exceeded more than 2 years even up to 13 March 2015.
- (c) While the total of loan balances obtained by 21 employees who had retired, vacated service and left on transfers, but recoveries are not taking place even at the time of audit in June 2015 amounted to Rs. 169,552, there was an Un-identified staff loan balance of Rs. 533,879 which was being brought forward over a long period.
- (d) When banking cash during January 2014 a sum of Rs. 15,141 less than and a sum of Rs.9,812 more than the amount received by the shroff had been banked in 06 instances.
- (e) While a sum of Rs. 180,632 out of the shroff's collection on 07 January 2015 had been paid as overtime by two employees serving in the Accounts Section who were acting in the duties of the shroff on the directions of the Chairman, approval of the Accountant too had not been received for these overtime payment vouchers.

## 2.3 Revenue Administration

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### 2.3.1 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.

|       | <b>Source of Revenue</b> | <b>Estimated<br/>for the year<br/>2014</b> | <b>Actual</b> | <b>Cumulative Arrears<br/>as at 31 December<br/>2014</b> |
|-------|--------------------------|--|---------------|--|
|       | -----                    | -----                                      | -----         | -----  |
|       |                          | Rs.'000                                    | Rs.' 000      | Rs. '000   |
| (i)   | Rates and Taxes          | 42,830                                     | 28,257        | 28,095   |
| (ii)  | Lease Rent               | 3,309                                      | 2,750         | 959  |
| (iii) | License Fees             | 220  | 218           | 2  |

### **2.3.2 Rates**

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The balance of Rates in arrears as at 31 December 2014 was Rs.27,948,654. While balances in arrears brought forward during a period of more than 3 years totaled to Rs.4,500,424, out of those, the total of balances exceeding Rs.50,000 was Rs.1,203,831.

### **2.3.3 Industrial and Business Taxes**

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Action had not been taken get tax money amounting to Rs. 25,900 paid to courts by tax payers after filing cases by the Sabha for recovery of Business Taxes in arrears in 2010, even as at 11 March 2015, date of audit.

### **2.3.4 Stalls Rent**

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- (a) Action had not been taken to recover Stalls Rent in arrears amounting to Rs.311,660 relevant to past years prior to the year 2014, and a sum of Rs.179,350 relevant to the year 2014 even as at 30 April 2015 .
- (b) There was a Stall Rent balance of Rs.55,500 in arrears due for December 2013 to September 2014 from the Fish Stall No. L2 in the Market Road. There was no lease agreement for this.
- (c) While Fish Stall No. 8 had been given on lease for a period of 03 months through a note of the Chairman without an agreement, as that person had not handed back the stall to the Sabha even after expiry of 03 months, Sabha had filed a court case. The rent billed for up to September 2013 for this stall had been Rs.77,000. According to judgment received on 19 December 2014, it had been decided to take over the trade stall by the Sabha and to write-off the rent. A sum of Rs.62,000 had been paid by the Sabha as case charges during the year 2014 alone.
- (d) Although files relating to 32 stalls with stalls Rent in arrears totalling Rs.283,160 had been handed over to a lawyer for filing cases in 2013, it had been informed that there are various lapses in the agreements and due to that cases were not filed even as at 15 March 2015, date of audit.

### **2.3.5 One Percent Tax on Recovery from Land Sales**

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- (a) Although a Tax equivalent to 1 percent should be recovered from sale proceeds of land after allotments, in terms of Section 165 (d) 1 of the Urban Councils Ordinance (Chapter 255), the sum of Rs. 1,686,650 recovered from 4 land sales during the year 2014 had not been the true 1 per cent value, but had been only 1 percent of the value estimated by the Revenue Overseer.

- (b) While in two instances different price rates had been furnished for 4 blocks of land relevant to one survey plan, in estimating the sale price a specific or accepted policy or methodology had not been followed by the Revenue Overseer.

### **3. Operational Review**

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#### **3.1 Transactions not confirmed by Adequate Authority**

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Although a sum of Rs. 31,500 had been spent for providing gifts for the Lantern Competition conducted in the Wesak Samadhi Zone by the Sabha, sanction of the Minister in terms of Section 159(f) of the Urban Councils Ordinance (Chapter 255) had not been obtained.

#### **3.2 Improper Transactions**

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While a sum of Rs. 37,500 had been received as public patronage contributions and spent for the Literary Function- 2014, while receipts had not been issued for that, vouchers too had not been prepared and accounted.

#### **3.3 Contracts Administration**

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(a.) Societies involved in performing number of contracts within the same period

Although according to the Public Finance Circular No. 452 dated 27 September 2011, when assigning direct contracts to Community Based Societies, those societies should not engage in more than 3 contracts, it was revealed at the sample audit checks carried out during October 2014 that 06 contracts by one society and 08 contracts by another society had been performed during a same period contrary to that.

(b.) Matters Observed at the Physical Checks carried out with regard to Constructions

Following lapses were observed at the physical inspection carried out on 18 March 2015 with regard to the roads and constructor of the Sabha.

(i.) Repairs to Urban Council Stadium

(a) While construction of the Urban Council Stadium had been carried out under Stage 3, all constructions had been completed as at 11 September 2014. Although a very short period such as 06 months had elapsed after completion of works as at 18 March 2014, the date of audit, the cement laid newly on the concrete floor of the stadium had been ruptured from place to place while certain broken places had been refilled.

(b) The plaster of the top of the wall at the access counter of the stadium had got ruptured to a length of about 3 meters and the concrete part was in a condition likely to get unfastened.

- (ii.) Concreting balance part of the Gaminie Costa Avenue in front of Sinsepa Avenue  
While work of the above road had been completed on 10 October 2014 under Sabha Funds, a rupture was observed exactly in the center of the road (at the beginning point of the slope) across the road.
- (iii.) Concreting a part of the Sub-way of the Dibbedda Road ( Guard Watta Road)  
While the concrete layer at the beginning part of this road had been badly damaged, there was no drainage system for out flow of water as well. While the condition was such, the roundabout in extent of 37.5 square feet in front of 02 houses located near that road amounting to Rs.129,741 only had been concreted newly during the year 2014.
- (c.) MagaNeguma Roads Development Program  
While funds had not been received from the Ministry of Ports and High Ways for works completed under MagaNeguma Roads Development Program, payments amounting to Rs. 5,040,575 and Rs. 5,166,022 respectively had been made for 47 Projects out of funds of the Sabha during the years 2013 and 2014. Reimbursements had not been received for those, even as at 18 March 2015 , date of audit. The amount receivable including the 10 percent retention on behalf of the Project amounting to Rs.7,522,141 and Rs.9,495,476 respectively.

### 3.4 Operational / Management Inefficiencies

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- (a) Staff Security  
Forty six employees who should furnish security in terms of Paragraph 02 of the Circular No. LG/05/2004 dated 9 July 2004 of the Commissioner of Local government (W.P.) and Letter No. 3/4/1 dated 29 January 1992 of the Chief Secretary to the Western Province had not furnished security. Security Money recovered amounting to Rs. 17,969 from 08 officers who had gone on transfers from the Sabha, had not been released to them even up to 13 March 2015.
- (b) Payment of Planning Committee Allowance  
In terms of Paragraph 15 of the Circular No. LG/07/2004 dated 15 December 2004 of the Commissioner of Local Government, if the number of applications to be examined by the Planning Committee exceeds a minimum of 10 or, if the Committee is to be conducted more than 2 hours, Committee should be conducted after duty hours. However, Committees had been conducted for less than 2 hours after duty hours during 03 months of the year 2014 and allowances amounting to Rs. 24,300 had been paid for 04 days.
- (c) Access Road shown in the first plan of the land submitted under File No. BP/176/2013 had not been adequate and therefore the Developer had prepared the plan connecting two Council roads accessible to the land and submitted again and it had been informed by the Urban Development Authority that it was adequate according to own rules. Accordingly, approval had been given through Planning Committee held on 16 October 2014. At the physical inspection carried out with the Work Superintendent of the Council on 18 March

2015, it was observed that the alternative access road had no any connection to the Council access road and that place was a drain for out flow of rain water from a private land.

(d) Testing food Samples and Filing Cases in Courts.

(i.) Although a minimum of 2 food samples should be examined from own zone by a Public Health Inspector, the number of food samples obtained from the 3 zones in the area of authority of the Council during the year 2014 had been only from 07 Establishments. Out of inspections carried out in 02 days, only 05 cases had been filed.

(ii.) Out of the sum of Rs. 50,000 recovered as fines for cases filed connected with food samples during the period from the year 2008 to the year 2014, Rs. 37,500 being the 75 per cent of the amount receivable to the Council had not been obtained even as at 15 June 2015.

(e) Human Resources Management

Approved cadre of the Council as at 31 December 2014 was 252. Although 18 officers of 13 various posts had been vacant as at that date, without action being taken make recruitments for those posts, recruitments had been made for 42 permanent posts, 17 substitute posts and 07 other posts outside the approved cadre. In addition to that, 02 acting post as well had been made from 24 October 2013 to 24 February 2015.

### 3.5 **Solid Waste Management**

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Due to non-operation of the Bio Gas Unit 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, the proposed Waste Exchange Centre to be completed during the year 2014, with the contribution from the Solid Waste Management Authority had been got delayed continuously. Due to that, a sum of Rs.4,878,465 had been paid to the Moratuwa Municipal Council and private institutions for disposal of garbage accumulating in the area of authority of the Council during the year 2014.

### 4. **Systems and Controls**

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

- (a) Accounting
- (b) Revenue Administration
- (c) Expenditure Control
- (d) Stock Control
- (e) Human Resources Management
- (f) Projects Administration