

Panadura Urban Council

Kaluthara District

1. Financial Statements

1.1. Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 04 July, 2016 while the Financial Statements relating to the preceding year had been submitted to Audit on 09 March, 2015. The Auditor General's Report relating to the year under review was sent to the Secretary of the Council on 29 July, 2016.

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 Panadura Urban Council as at 31 December, 2015 and its financial performance for the year then ended in accordance with generally accepted accounting policies.

1.3. Comments on Financial Statements

1.3.1. Accounting Deficiencies

The following accounting deficiencies are observed

- (a) Although the amount of capital grants pertaining to the year under review was of Rd.2, 001,906 the same had been shown as Rs.2, 496,759 in the Financial Statements thus overstating the capital grants by Rs.494, 853 in the Revenue and Expenditure Account.
- (b) Owing to debiting erroneous entry amounting Rs.255, 769 to the Local Loans Development Fund by journal entry 31 in the preceding year and also not debiting the loan installment amounting to Rs.43, 357 to the said account in December, 2013 the balance of the loans account had been understated by a sum of Rs.212, 412.
- (c) Industrial debtors' credit balance was Rs.247, 426 according to the amended financial statements but the same had not been mentioned in the Financial Statements.
- (d) Although the credit balance of the Accumulated Fund Account as at 31 December, 2015 was Rs.119,842,037 the same had been shown as Rs.120,049,054 thus overstating the credit balance of the Accumulated Fund Account by a sum of Rs.207,017 in the Financial statements.
- (e) Credit balance of the Suspense Account amounting to Rs.207, 017 had been omitted in the Financial Statements.

1.3.2. Accounts Payable

With the receipt of allocations for provincial specific projects in the year under review a sum of Rs.247, 427 had been received as Value Added Tax, but the said amount had not been paid to the Commissioner General of Inland Revenue even up to 18 February, 2015.

1.3.3. Lack of Evidence for Audit

Any evidence relating to a sum of Rs.11, 968,569, debited to the Industrial debtors' account in the year under review had not been submitted to Audit.

1.3.4 Non Compliance with Laws, Rules and Regulations .etc.

The following non compliances with Laws and, Rules and Regulations are observed.

- (a.) Financial Regulations of the Republic of Sri Lanka.
 - (i). Even though an advance given for any undertaking should be settled soon after completion of that activity according to F.R.371 (a) the advances amounting to Rs.1,110,064 paid from 1990 to 31 December,2015 had not been settled even up to 30 April,2016.
 - (ii). Even though action should have been taken to pay or take to the revenue as regards the cheques remaining uncashed for more than 06 months from the date of issue in terms of Financial Regulations of the Republic of Sri Lanka F.R.396 (d) no action had been taken regarding 07 cheques valued at Rs.16,360 in terms of the Financial Regulations.
- (b.) Although a fixed assets register on computer devices and software had to be maintained according to the Treasury Circular No.1A1/2002/02 of 28 November,2002,value of 3 computer sets worth of Rs.588,000 purchased in the year 2015 had not been recorded.

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 2015 amounted to Rs.31, 428,682 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 48,363,261.

2.2. Revenue Administration

2.2.1. Arrears of Revenue

Total revenue in arrears amounting to Rs.10, 820,361 as at the end of the year under review has not been recovered in accordance with the provisions in Sections 160,165,170 Article 255 of Urban Council Ordinance.

2.2.2. Rates

- (a). Billing of rates in the year under review was Rs.40, 122,329 and only a sum of Rs.24, 049,421 or 59.9 per cent had been collected out of it as at 31 December, 2015.
- (b). Out of the rates in arrears amounting to Rs.27,948,654 as at the beginning of the year under review only a sum of Rs.18,002,004 or 64.4 per cent had been collected. Accordingly, total arrears as at the end of the year was Rs.26,019,557.

2.2.3. Stall Rents

- (a). Action had not been taken to recover outstanding balance amounting to Rs.708, 687 relating to the year 2014 and the previous years even up to 31 December, 2015.
- (b). Although it was reported that an unauthorized outsider has been doing trading at the fish stall No.08 the council had not taken steps to get the stall transferred even up to the audited day of 15 February, 2016.

2.2.4. Noticeboard Fees

- (a). Although a sum of Rs.588,849 was due from 41 notice boards identified by the survey in 2015 no action had been taken to recover the said amount even up to 15 February, 2016.
- (b). Size of notice boards and the amount to be charged relating to 20 notice boards identified by the survey had not been mentioned in the survey report.
- (c). Details pertaining to such 61 survey reports had not been entered in the register on notice boards revenue.

2.2.5. Stamp Fees

A sum of Rs.38,600,000 was due from the Chief Secretary of the Provincial Council and the other authorities as at 31 December in the year under review.

3. Operational Review

3.1. Operational Inefficiencies

- (a). Outstanding loan balance amounting to Rs.101, 023 due from 15 officers who went on transfer and who had vacated the post having served in the Council had not been recovered even up to 15 February, 2016.
- (b). Although action should have been taken to send contribution of casual and temporary workers to the Secretary and Accountant of Public Service Provident Fund in accordance with Section 4.1 of the Circular of the Director General of Pensions No.2/2011 dated 24 February, 2011 the same had not been done so, and as a result of late remittance of contribution to the said fund a sum of Rs.1055, 546 had to be paid to the fund as surcharge. Two installments amounting to Rs.360, 000 out of the said surcharge had been paid from the fund of the Council as at the audited day of 18 February, 2016.

3.2. Improper Transactions

- (a). As far as the finger print records are considered as correct departure time, number of days on which planning committees had been held for less than 02 hours after office hours in three months in the year 2015 were 10, and for which a sum of Rs.45,900 had been paid as allowance in accordance with Para 15 of the Circular of the Commissioner of Local Governments No.LG/07/2004 dated 15 December, 2014 in that behalf.
- (b). If a Head of the Local Government Institution or a Deputy or a member is selected for overseas training programmes all expenses and facilities for the same shall be born and provided by the relevant organization, the foreign country or the foreign institution in terms of the Circular of the Provincial Council and Local Governments dated 09 September, 2010. But on behalf of 7 day overseas visit of a Urban Councilor to Vietnam from 07 to 13 February, 2015 a sum of Rs.320, 000 had been paid as ticket fees and incidental allowance while a sum of Rs.56, 700 as subsistence allowance.

3.3. Solid Waste Management

- (i). Garbage disposal had been carried out by the Municipal Council of Moratuwa for the first 5 months in 2105 and a sum of Rs.840,336 had only been paid to the Council for that purpose up to May,2015. Claims had been made with regard to the remaining balance of Rs.325,390 too. Accordingly, average monthly payment was only Rs.233,145. The Council had entered into an agreement with a private institute for a period of 6 months with effect from 20 July,2015 for the purpose of garbage disposal within the limit of the Council. The amount paid to the private institute for nearly three months for garbage disposal amounted to Rs.7, 266,000 and accordingly, the monthly average cost was Rs.2, 422,000. This is an increase in 939 percent when compared to the average monthly cost incurred for garbage disposal at the time the Moratuwa Municipal Council undertook the

task of garbage disposal. The opinion of the Audit is that this is not an economically wise cost to an institution like an urban council.

- (ii). No records had been maintained about the number of garbage tractors or amount brought to the Waste Exchange Center.
- (iii). The Council had not found out the place to where the garbage was disposed of, and as a result this may cause environmental impacts too.

3.4. Human Resources Management

Approved cadre and the actual cadre of the Council as at 31 December, 2015 were as follows.

	Approved	Actual	Vacant
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Staff Grade	08	4	4
Secondary	64	59	5
Minor	228	216	12
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	<u>300</u>	<u>279</u>	<u>21</u>

4. Systems and controls

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

- (a) Accounting
- (b) Budgetary Control
- (c) Revenue Administration
- (d) Solid Waste Management