

**Seethawakapura Urban Council**

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**Colombo District**  
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**1. Financial Statements**  
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**1.1 Presentation of Financial Statements**  
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Financial Statements for the year under review had been submitted to the Audit on 31 March 2016 while Financial Statements relating to the preceding year had been submitted on 31 March 2015. The Auditor General's Report relating to the year under review was issued to the Secretary of the Council on 29 July 2016.

**1.2 Qualified Opinion**  
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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 Seethawakapura Urban Council as at 31 December 2015, its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Comments on Financial Statements**  
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**1.3.1 Accounting Deficiencies**  
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Following observations are made.

- (a) As the value of Floor Scale purchased at Rs.62,500 during the year under review had been accounted as Rs.6,250, machinery and equipment had been undercapitalized by Rs.56,250.
- (b) As the value of Tree Cutter purchased at Rs.109,800 during the year under review had been accounted as Rs.122,000, machinery and equipment had been overcapitalized by Rs.12,200.
- (c) Without being accounted 02 water pumps valued at Rs.288,002 purchased during the year under review under the machinery and equipment, it had been accounted as Rs.232,866 in the Furniture and Fittings Account. Due to that, a sum of Rs.288,002 had been understated in the Machinery and Equipment Account while a sum of Rs.232,866 had been overstated in the Furniture and Fittings Account.
- (d) Two panelboards valued at Rs.221,000 purchased during the year under review and the value of a router totalling Rs.3,020 had not been capitalized.

- (e) Reimbursement of the property loans interests amounting to Rs.164,089 reimbursed from the Department of Local Government had not been brought to account under the Revenue Assistance and as a result the revenue of the year had been understated by that amount.
- (f) A sum of Rs.129,837 deposited in the Urban Development Authority Bank Account during the year under review, had not been shown in the ledger accounts. Further, a sum of Rs.186,184 due to be deposited in the Urban Development Authority Bank Account from the year 2008 to the year under review had not been taken into the Deposit Account of the Urban Development Authority.
- (g) The value of 5 wheelbarrows amounting to Rs.11,250 had not been eliminated from the Motor Vehicles and Cart Account and as such Motor Vehicles and Cart Account had been overstated by that amount.

### **1.3.2 Non-reconciled Control Accounts**

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While the balance relating to 04 items of accounts was Rs.52,862,981, according to Accounts in the financial statement, that balance had been Rs.51,941,651 according to the relevant subsidiary registers. Accordingly, a difference of Rs.921,420 was observed.

### **1.3.3 Unsettled Accounts**

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- (a) The balance of Rs.3,071,646 continuously brought forward without being settled over a long period of time had not been settled even in the year under review.
- (b) A balance totalling Rs. 64,299,416 payable to the Government institutions for obtaining essential services relating to the preceding years and the current year was observed within the creditors balance of Rs.98,205,268 stated in the financial statements of the year under review and it was 65 per cent of the total creditors. Action had not been taken to settled that balance even in the year under review.

### **1.3.4 Lack of Evidence for Audit**

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Due to lack of audit evidence relating to 04 items of accounts totalling Rs.15,350,876, those could not be satisfactorily vouched in audit.

## **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 the Council for the year ended 31 December 2015 amounted to Rs.7,647,822 as against the excess of recurrent expenditure over revenue for the preceding year amounted to Rs.1,122,703.

## 2.2 Financial Control

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A sum of Rs.150,000 received for the solid waste during the year 2014, a sum of Rs.550,000 received from the Ministry of Local Government and Provincial Council in respect of winning the first place of the “ Swarnapura ” competition in the year 2011 and Rs.300,000 received as the bonus of the “ Swarnapura ” competition had not been utilized for any purpose even up to 31 July 2016.

## 3 Revenue Administration

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

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Information as furnished by the Chairman relating to Estimated Revenue, Actual Revenue and Arrears of Revenue for the year under review are shown below.

Source of Revenue (a)	Arrears as at 01 January 2015	Billing	Actual Revenue	Accumulated Arrears as at 31 December 2015
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	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	5,610,272	19,512,094	15,751,082	10,159,184
Stalls Rent	3,054,217	18,196,985	17,527,829	3,723,373
License fees	43,543	311,655	311,655	43,543
Other Revenue	46,915	676,500	675,500	46,915

#### 3.1.1 Rates

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Out of Rates and Taxes billed income during the year under review, a sum of Rs.6,771,704 or 35 per cent had not been recovered. The accumulated arrears of rates receivable during the year under review amounted to Rs.10,159,184.

#### 3.1.2 Stalls Rent in Arrears

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Value of Stalls Rent in arrears for a period exceeding 05 months from 48 stalls was Rs.897,125 as at 31 December 2015. The Council had not taken action in terms of the Lease Agreement in connection with the owners of those stalls.

#### 3.1.3 Meat Stalls Rent

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As the Pork Stall and the Beef Stall of the Puwakpitiya Sunday fair belonging to the Council had not been leased out for the year 2015, the Council had been deprived of an income of Rs.117,200.

### **3.1.4 License Fees**

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Although an Environmental Protection Licence should be obtained for the businesses in terms of the Extraordinary Gazette No.1533/16 dated 25 January 2008, a field inspection on the business places for which the Environmental Protection Licences should be obtained for the year 2015 had not been conducted. According to the Register of Business Licences, the number of businesses coming under the category of the business required to be obtained the Environmental Protection Licences was 113.

## **4. Operating Review**

### **4.1 Management Inefficiencies**

#### **(a) Irregular Transactions**

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In order to layer the waste of the waste yard, an excavator of PC60 in size had been obtained on rent without calling for quotations and entering into an agreement and a sum of Rs. 92,475 for total hours of 123.3 at Rs. 750 per hour had been paid from January to April 2015 while a sum of Rs. 877,800 for total hours of 399 at Rs. 2,200 per hour had been paid from May to July 2015.

#### **(b) Urban Development Authority Bank Account.**

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From the year 1991 to the year 2015, a sum of Rs.315,321 had been received to the bank account maintained on behalf of the Urban Development Authority in terms of the Planning Circular No.15 of 18 November 1993 of the Urban Development Authority. Although this money should be used only for the development schemes approved by the Urban Development Authority, that sum of Rs.315,321 had not been used for any development activity by the end of the year under review.

### **4.2 Operating Inefficiencies**

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The following observations are made.

(a) Without imposing by-laws in terms of Section 153 of the Urban Council Ordinance, a sum of Rs.3,129,653 had been earned as the charges recovered on parking private busses, income earned from the sale of refuse foods (leavings) and the recycling income from January to November 2015.

(c) For an officer older than 60 of age who had been employed on casual basis and 18 employees between 60 to 80 years of age employed on contract basis contrary to the provisions relating to retiring from the service on completion of age 60 referred to in the Chapter V of the Establishments Code of the Democratic Socialist Republic of Sri Lanka, a sum of Rs.12,339,783 had been paid as salaries during the year 2015.

- (d) Within the balance of advances of Rs. 1,029,055 unsettled by the end of the year under review despite being issued to the officers, there was an advance balance of Rs.842,357 continued to exist from a period of 06 years.
- (e) Action in terms of Financial Regulation 571 (3) of the Democratic Socialist Republic of Sri Lanka had not been taken on the deposits of Rs.43,872,348 older than 02 from the date of deposit.
- (f)

#### **4.3 Vehicle Control**

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- (i) A backhoe loader, value of which could not be found out and received as a donation and a Bobcat machine of which the periods and the value could not be found out were in the possession of the Council.
- (ii) As mechanical errors of the Gully bowser had arisen from time to time over a several year, income generated from the Gully bowser had decreased by 79 per cent by the year 2015 from the year 2013.
- (iii) Although the period given for the repair of the Mahendra Cab handed over to a private garage on 29 October 2015 had elapsed, penalty for delays had not been recovered in terms of Section 05 of the Agreement .
- (iv) A Three-wheeler valued at Rs.226,050, Issusu Cab valued at Rs.328,000 and a Tafe Tractor had been parked in the Council premises in unusable condition.

### **5. Accountability and Good Governance**

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#### **5.1 Performance**

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Activities of 95 projects under various Funds, 44 Council works and woks of a 100 day special development programme had not been completed during the year under review. The actual expenditure of the Council works had not been computed and the performance of the Council works had been at a lower level as compared with the preceding year.

#### **5.2 Annual Action Plan**

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An Annual Action Plan had not been prepared so as to fulfil the provisions of the Paragraph04 of the Public Finance Circular No.PED/RED/01/01/2014/01 dated 11 February 2014.

#### **5.3 Internal Audit**

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Activities of the Internal Audit Division had not been organized in terms of Regulation 133(1) (a) (1) of the Financial Regulations Democratic Socialist Republic of Sri Lanka and an adequate staff had not been attached to the Audit Division.

#### **5.4 Employees Loan**

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A sum of Rs.708,303 was due from 09 transferred and retired officers as at 31 December 2015 and the loan balance amounting to Rs.148,098 due from 23 officers was observed as unrecoverable loan. An age analysis had not been submitted therefor.

**5. Systems and Controls**

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

- (a) Budgetary Control
- (b) Internal Audit
- (c) Accounting
- (d) Revenue Administration