

**Kasbawa Urban Council**  
**Colombo District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

Financial statements for the year 2016 had been submitted on 23 March 2017 while financial statements for the preceding year had been submitted on 30 March 2016. The report of the Auditor General for the year 2016 was issued to the secretary of the Council on 20 October 2017.

**1.2 Qualified Opinion**

In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Kasbawa Urban Council as at 31 December 2016 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Deficiencies**

The following accounting Deficiencies were observed in audit

- (a) A sum of Rs. 1,261,592 paid for repairing roads, the value of library books of Rs.266,564 the value of furniture and office equipment of Rs201,000 and recoverable common facilities fees amounting to Rs.51,667 had been overstated in the accounts.
- (b) The value of receivable license fees amounting to Rs.141,500 and the value of machines and equipment of Rs.120,000 had been understated in the accounts.

**1.3.2 Contingent Liabilities**

The surcharge of Rs.935,413 occurred on non-paying of contributions according to the section 16 of the Employees Provident Fund No 15 of 1958 and unresolved 09 cases against the council as at the end of the year had not been disclosed in the financial statements.

**1.3.3 Non Reconciled Control Accounts**

Relating to 13 items of accounts a sum of Rs 5,623,987 had been overstated and a sum of Rs. 31,480,460 had been understated in the financial statements.

**1.3.4 Accounts receivable and payable**

The outstanding amount of Rs.92,269 which should be received from Common facilities center and the Morning fair as at 31 December 2015 had not been recovered and receivable and payable accounts had been comprised with a balance of entertainment tax brought forward from 19 to 28 years amounting to Rs.281,047, aid for street light relating to the years from 2009 to 2014 amounting to Rs.481,578, balance of miscellaneous creditors over than a period of one year amounting to Rs.15,327,222 and a provincial council debtor balance of Rs.15,856,916 brought forward from the year 2016.

### 1.3.5 Lack of Evidence for Audit

Written evidence relating to 08 items of accounts valued at Rs. 583,016,062 had not been furnished to audit and as a result accuracy of those balances could not get confirmed.

### 1.3.6 Non-Compliance with Laws Rules and Regulations

The following non-compliances with laws rules and regulations were observed.

#### **Reference to Laws Rules and Regulations**

#### **Non-compliance**

#### **(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka**

FR 104(2)

A cab had been met with an accident on 28 June 2016 and it had not been reported to relevant authorities

FR 110

A record of losses had not been maintained in connection with the losses occurred in the institute.

FR 133(1) and (2)

Activities of the internal audit had not been organized.

FR 188 (2)

Actions had not been taken in connection with a cheque valued at Rs.3,386 dated 2012 December 18 which had been deposited on 31 December 2010 and 03 money orders valued at Rs. 1,714 and unrealized cheques valued at Rs. 1,492

FR 200(4)

Expenditure amounting to Rs.642,992 relating to 04 payment vouchers had not been certified by the certifying officer

FR 225

Relevant formats had not been used for 04 payment vouchers valued at Rs.1, 203,500.

FR 226

Authority for payment had not been mentioned in 12 vouchers valued at Rs.9,056,260.

FR 371(2)

Although the advances issued should be settled as soon as the specific purpose is completed unsettled advances amounting to Rs.353,026 brought forward from number of years had not been settled as at the end of the year under review.

FR 571	Actions had not been taken to settle the deposits over two years valued at Rs.6, 595,637 included in the balance of refundable deposits of Rs.30, 998,512.
FR 756	Fixed assets shown in the financial statements valued at Rs. 253,880,013 had not been physically verified at the end of the year.
FR 1645 (d)	Running charts of the vehicles belongs to the council had not been properly maintained.
FR 1646	Running charts and monthly summaries had not been furnished to the Auditor General before 15 of the following month.
FR 1653	Milo meters of 14 vehicles belongs to the council had been broken over a period of 07 years and action had not been taken to repair them.
(b) Paragraph 02 of the Public Administration Circular No: 41/90 dated 10 October 1990	Fuel consumption had not been tested in the vehicles belongs to the Council.
(c) Chapter "C" of the Special Gazette of the Democratic Socialist Republic of Sri Lanka dated 25 January 2008.	Annual survey report had not been prepared in connection with activities relating to obtain environment protection license.
(d) The letter of the Commissioner of Local Government (western province) No:LGD/7/7/1/DI- 2013 dated 09 January 2014	Although the employees over than 60 years of age should not be attached to the service of the council 04 employees over than 60 years of age had been attached to the service up to 31 July 2016 on contract basis and a sum of Rs.2,309,177 had been paid as salaries

## **2. Financial Review**

### **2.1 Financial Results**

According to the financial statements presented the revenue for the year ended 31 December 2016, in excess of the in the recurrent expenditure of the council amounted to Rs. 57,026,425 whilst the revenue in excess of the recurrent expenditure of the previous year amounted to Rs. 103,195,690.

## 2.2 Revenue Administration

### 2.2.1 Performance of Collecting Revenue

The Summarized information on the actual revenue and revenue in arrears presented by the secretary in respect of the year under review and the preceding year are as follows.

Source of Revenue -----	2016 -----				2015 -----	
	Actual Sum to be Collected	Actual Sum Collected	Arrears for the Year	Cumulative Arrears as at 31 December	Actual sum to be Collected	Cumulative Arrears as at 31 December
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Rates and Taxes	35,000	26,953	8,407	21,369	41,207	27,175
Lease Rent	6,924	5,894	1,029	1,637	1,637	2,937
License fees	1,200	1,413	-	70	6,150	1,150
Other Revenue	189,302	203,215	-	279,128	218,128	275,212
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	232,426	237,475	9,076	278,270	278,270	306,474
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### 2.2.2 Rates

Out of the estimated income of rates and taxes for the year under review amounting to Rs.35,000,000, the Council had failed to recover a sum of Rs. 8,844,905 represents 25.27 per cent and out of the outstanding amount of rates aggregating to Rs.26,749,745 only a sum of Rs. 13,427,206 represents 50.19 had been recovered during the year under review.

### 2.2.3 Stall Rent

The balances over than 5 years valued at Rs. 455,415 had been included in the total outstanding balance of Rs.1, 637,783 recoverable from 104 stalls rented out as at 31 December 2016.

### 2.2.4 License Fees

Out of the 1,412 stalls which the license should be issued, fees had been recovered from 1,213 stalls but license had not been issued. A sum of Rs.136, 500 receivable for prior years had been included in the receivable license fees of Rs.141,500 as at the end of the year under review. Out of the outstanding balance as at 01 January 2016 amounting to Rs.113,575,only a sum of Rs.43,830 represents 38.6 per cent had been recovered during the year under review.

### **3 Operating Review**

#### **3.1 Management Inefficiencies**

The following observations are made.

- (a) Employees security deposits valued at Rs. 82,500 had been remained in the Council without investing even up to the end of the year under review thus the interests thereon could not get recovered.
- (b) The balance of the joint current account conducted by the Council with the Urban Development Authority amounting to Rs.16, 901,660 as at 31 December 2016 had been remained over a long period of time without operating.
- (c) The balance of Rs. 607,445 as at 31 December 2016 relating to the current account maintained by the Council for purchasing garbage barrels had not been operated since the year 2009.
- (d) The balance of the savings account as at 31 December 2016 , conducted by the council from the year 2009 was Rs.5,859,262 and attention had not been paid to invest the said amount in a fixed deposit.
- (e) The old rest house that generating income had been demolished and the first stage of a new building had been constructed at an estimated cost of Rs.52,929,240 and handed over to the Council on 04 December 2014.Although a sum of Rs.3,000,000 had been expected as the income ,whatsoever income had not been earned even up to 16 June 2017 and it had not been employed in any fruitful job.

#### **3.2 Operating Inefficiencies**

- (a) A software system had been purchased from a private institution and installed in order to manage the rate tax income in the year 2007.However,any updated joint or summarized information could not be obtained through this software system and actions had not been taken by the Council to get corrected the lot of weaknesses of the system. Further action for proper supervision or security of data had not been taken as well.
- (b) According to the discussion held on 24 October 2016 relating to the acquisition of the access road of the ninth lane, street beacons and the cemetery of Batakattara without permission by the residents of adjoined land, actions which should be taken by the Council in connection with the turning circle of the road had not been completed even up to 16 June 2017.
- (c) Although the claim made by the external parties through the case No: 2483 which was filed against the Council on 06 October 2011 was Rs.350, 000, the expenditure incurred as at the end of the year under review was Rs. 457,750.

(d) A register for street lights had not been maintained by the Council.

**3.3 Idle and Underutilized Assets**

Four vehicles valued at Rs.2,256,000 for a period from 02 years to 05 years and a high capacity concrete mixture for a period of 05 years had been remained iddle.

**3.4 Identified Losses**

Actions had not been taken to recover the value of books Piliyandala Public Library of Rs. 61,982 which the external members had not been handed over to the library from the year 2008 to 2014 and the value of the books misplaced by the members of Rs 10,597.

**3.5 Contract Administration**

A sum of Rs.6,677,563 had been received from Provincial Road Development Authority for 06 projects which should be implemented during the year under review. However agreements had not been signed relating to the project valued at Rs. 3,290,966 and activities of 04 projects had not been commenced.

**3.6 Staff Administration**

The details of the cadre as at 31 December 2016 are given below.

<b>Grade</b>	<b>Approved cadre</b>	<b>Actual Cadre</b>
Senior	04	03
Tertiary	02	02
Secondary	61	62
Primary	141	122
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	208	189
	=====	=====

- (a) Although the approved permanent cadre of 03 posts of tertiary and secondary level at the end of the year under review was 42, the actual permanent cadre was 46.
- (b) Grade 3 administrative officer had been appointed to the post of Secretary of the Urban Council on acting basis and a retired accountant had been recruited to the post of accountant on contract basis.
- (c) Actions had not been taken to fill the vacancies of 14 posts including the above posts in the permanent cadre and 24 vacancies of employees during the year under review.

- (d) According to the Public Administration Circular No: 25/2014 dated 12 November 2014, permanent appointments had been awarded to 48 employees who had been appointed on temporary, casual (days' pay) contract or grace basis. However action had not been taken to update the approved cadre of the Council even up to the end of the year under review.
- (e) The Council had not get reimbursed a sum of Rs.32,916,249 paid as salaries for the years 2015 and 2016 for the 48 employees mentioned in the paragraph "d"
- (f) In addition to the permanent employees, a sum of Rs.5,701,472 had been paid during the year under review for 23 employees from the Council Fund as salaries and allowances.

### **3.7 Vehicle Utilization**

- (a) Action had not been taken to register 3 vehicles belong to external institutions valued at Rs.2, 732,000 under the name of the Council.
- (b) Six pool vehicles valued at Rs. 1,834,000 had not been included in the fixed assets register at the end of the year under review.
- (c) Monthly summaries relating to the daily running charts had not been prepared.
- (d) A tractor in running condition valued at Rs.249, 000 and 15 tractors which the value had not been mentioned had not been included in the fixed assets register and the vehicle schedule.

### **3.8 Waste Management**

The following observations are made

- (a) A staff consist with 109 including 03 Public Health Inspectors had been attached to the garbage management and a sum of Rs. 81,304,068 had been incurred thereon during the year under review. However the income from the garbage was Rs. 4,436,049 and the amount of the expenditure could be covered from the income was 5.34 per cent.
- (b) 3128 Tons of separated waste and 16,328 of mixed waste had been disposed of to the waste management Authority whilst 84 per cent of mixed waste had been included in the total waste disposal.
- (c) The Council had failed to implement waste management in an area of 20 per cent in extent of the jurisdiction of the Council.
- (d) The receivable income of garbage at the end of the year under review was Rs.1, 903,443.

- (e) Even though the Waste Management Authority had donated 1050 garbage bins to the Council, 1200 bins had been purchased at a cost of Rs.391, 208 from a private institute by the Council on 11 November 2016. However, 1050 donated bins had been distributed on 20 January 2017 and actions had not been taken to deliver any purchased bin out of 1200 even up to 15 June 2017.
- (f) Due to the reason of 80 per cent of the land which used to dispose garbage by 07 Local Government Institutions, is belonged to the Kasbawa Urban Council, the poor health conditions cause to the people living under the jurisdiction of the Council cannot be ruled out.

### **3.9 Dengue Prevention Programme**

The Council had incurred a sum of Rs. 1,071,117 for dengue prevention programme for the year 2016 whilst the number of dengue patients had been increased from 416 to 686 from the previous year to the current year. Although deaths had not been reported in the previous year, 2 deaths had been reported in the current year. Compared with the previous year, the implemented prevention programmes, spot tests, red notices issued and legal action taken had been increased during the year under review. However the probable breeding places and places with larva had increased as well. The programmes implemented during the year under review had failed to prevent spreading disease and to reduce the number of patients compared with the previous year.

## **4. Accountability and Good Governance**

### **4.1 Budgetary Controls**

- (a) Although the budgeted income of 7 revenue items which the expected target could not get full filed was Rs.4, 200, 000, the actual income was Rs.1, 756,611.
- (b) A sum of Rs.473, 112 had been spent out of 06 expenditure heads which the provision was zero after transferring provisions between the heads of expenditure. As a result, budgeted provisions had been exceeded by Rs.473, 112.
- (c) Although the total budgeted provision of 32 expenditure heads was Rs. 93,434,000 after transferring provisions between the heads of expenditure, a sum of Rs.129, 574,018 had been incurred during the year under review. Hence the budgeted provision had been exceeded by Rs.35, 140,018.
- (d) Although the total provision of 10 expenditure heads was Rs.711, 000 a sum of Rs.2, 735,700 had been transferred to the other expenditure heads exceeding the limit of the provision. A sum of Rs. 306,378 had been incurred in seven expenditure heads out of those 10 thus provision had been exceeded by Rs.2, 331,078.



**5. Systems and Controls**

Special attention is needed in respect of the following areas of systems and controls

- a) Accounting
- b) Financial Control
- c) Administration of Revenue
- d) Control of Budget
- e) Control of fixed assets and stock
- f) Control of debtors and creditors
- g) Internal Audit