

**Kesbewa Urban Council**

-----  
**Colombo District**  
-----

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

-----  
The financial statements for the year 2017 had been presented for audit on 29 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman on 06 September 2018.

**1.2 Qualified Opinion**

-----  
In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements of the Kesbewa Urban Council give a true and fair view of the financial position as at 31 December 2017 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 matters were observed.

- (a) The unsettled advances of Rs.433,514 as at 31 December 2017 had not been brought to account.
- (b) The balance of the loan obtained from the Asian Development Bank in 2011 amounting to Rs.24,760,013 had been brought to account as current assets instead of current liabilities.
- (c) The balance of creditors had been overstated by Rs.633,198 and the interest on fixed deposits had been understated by Rs.877,539 with reference to the year under review.
- (d) Computers, accessories and software purchased in 2017 for Rs.1,728,410 had been brought to account under furniture and fittings. As a result, the furniture and fittings had been overstated a by similar amount.
- (e) Provision for audit fees had not been made in the accounts for the year 2017.

- (f) The balance of revenue receivable amounting to Rs.1,490,777 had been shown in the financial statements under sundry debtors without being brought to account under revenue debtors.

### **1.3.2 Contingent Liability**

-----

Eleven cases filed by outsiders against the Council and a case filed by the Council against an outsider had not been disclosed in the accounts.

### **1.3.3 Unreconciled Accounts**

-----

A difference of Rs.12,986,213 was observed between the balances of 05 items of accounts shown in the financial statements and the balances appearing in the related subsidiary registers / reports.

### **1.3.4 Accounts Receivable and Payable**

-----

#### **(a) Accounts Receivable**

-----

- (i) None of the dues from lease of car park amounting to Rs.285,957 and the entertainment tax of Rs.298,497 as at 31 December 2016 had been recovered during the year.
- (ii) A sum of Rs. 68,790 was recoverable from the Common Amenities Centre during the year under review.
- (iii) The street lamp lighting aid of Rs.481,578 for the period 2009 to 2014 and the electricity charges due from the Piliyandala Sports Club for the period 2014 and 2015 amounting to Rs.111,054 had not been recovered even up to end of the year under review.

#### **(b) Accounts Payable**

-----

The balance of creditors remaining unsettled for many years amounted to Rs.29,717,649.

### **1.3.5 Lack of Necessary documentary Evidence for Audit**

-----

- (a) The balances of 14 accounts aggregating Rs.383,299,280 could not be satisfactorily vouched in audit due to non-rendition of fixed deposit certificates, pass books of savings accounts, deposit certificates, age analysis and detailed schedules.
- (b) Street lamp posts had not been properly numbered and the details entered in a register.

- (c) Two thousand three hundred and nineteen street lamps valued at Rs.996,520 had not been entered in the daily work report. It could not be confirmed in audit whether these had been fixed on the street lamp posts.

### 1.3.6 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with laws, rules, regulations and management decisions appear below.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance
-----	-----	-----
	Rs.	
(a) Establishments Code of the Democratic Socialist Republic of Sri Lanka ----- Chapter II Section 13.3	-	Acting appointment had been made for a long time for the post of Secretary with effect from 09 May 2016 and for the post of SL.N.S (Special) with effect from 16 September 2015.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka -----		
(i) F.R. 156	600,000	The loss caused to the Government due to negligence of officers should be surcharged. However, the loss caused to the Council as a result of delay in sending the reports and contributions to the Employees' Trust Fund had not been recovered from those who were responsible.
(ii) F.R. 371(2) and (5)	497,303	Advances obtained should be settled immediately after fulfillment of the purpose. However, there were instances where there were long delays in settlement and

			non settlement before 31 December of the year.
(iii)	F.RR. 570 and 571	16,523,466	Action had not been taken with regard to deposits over 02 years.
(iv)	F.R 1646	-	Daily running charts and monthly performance summaries of vehicles of the Council had not been furnished to the Auditor General.
(c)	Paragraph 3.1 of the Public Administration Circular No.30/2016 dated 29 December 2016	-	Consumption of fuel by vehicles of the Council had not been tested.
(d)	Treasury Circular No IAI/2002/02 dated 28 November 2002	-	A separate register had not been maintained for computers, accessories and softwares.
(e)	Accounts Code for Municipal Councils and Urban Councils	-	The register of fixed assets had not been updated.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2017 amounted to Rs.32,970,046 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.57,026,425.

## 2.2 Revenue Administration

### 2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2017				2016			
	Estimated Revenue Rs.	Revenue Billed Rs.	Revenue Collected Rs.	Total arrears as at 31 December Rs.	Estimated Revenue Rs.	Revenue Billed Rs.	Revenue Collected Rs.	Total arrears as at 31 December Rs.
Rates and Taxes	48,160	39,441	36,123	21,985	40,785	42,655	49,277	21,668
Rent	13,750	19,985	19,410	2,388	11,674	12,697	13,333	875
Licence Fees	4,551	5,004	5,004	-	4,201	5,561	5,561	-
Other Revenue	282,965	284,961	330,555	232,207	283,764	287,881	281,708	282,860

## **2.2.2 Performance in Collection of Revenue**

-----

2.73 per cent of the budgeted recurrent revenue for 2017 had not been earned. The capital revenue received exceeded the budgeted amount by Rs.39,097,286, that is, 63.5 per cent.

## **2.2.3 Rates and Taxes**

-----

- (a) The balance of arrears of rates as at 31 December 2017 amounted Rs.21,686,826 of which Rs.292,200 belonged to 03 units of rates over Rs.50,000.
- (b) The rates billed for the year under review amounted to Rs.31,535,605. The Council had failed to recover 17.81 per cent of this amounting to Rs.5,617,869.
- (c) The arrears of balance of rates as at 31 December 2016 amounted to Rs.20,886,247. Of this, Rs.7,125,395 representing 34.11 per cent had been recovered during the year under review. The Council had failed to recover Rs.13,760,852.

## **2.2.4 Rent**

-----

- (a) Arrears of rent due from 26 stalls of the Council as at 12 July 2018 amounted to Rs.670,725.
- (b) The revenue billed for the year 2017 amounted to Rs.12,593,160. The Council had failed to recover Rs.261,525 even by 12 July 2018.
- (c) The balance of accumulated arrears as at 01 January 2017 amounted to Rs.1,703,189. None of this had been recovered during the year.

## **2.3.5 Licence Fees**

-----

- (a) The number of trade stalls to which licences should have been issued during the year under review were 1094. However, money had been recovered from 1045 trade stalls. Meanwhile, licences had not been issued to 605 trade stalls.
- (b) Out of the arrears of licence fees of Rs.294,075 as at 31 December 2016, Rs.107,755 alone had been recovered by July 2018.
- (c) Out of the balance of business tax of Rs.955,820 as at 31 December 2016, a sum of Rs.707,150 had not been recovered by July 2018.

### **3. Operating Review**

-----

#### **3.1 Performance**

-----

The following matters were revealed with regard to duties to be fulfilled by the Council in terms of Section 4 of the Urban Councils Ordinance such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

##### **(a) Action Plan**

-----

An action plan had not been prepared for proper disposal of scientific and electronic waste within the authoritative area of the Council.

##### **(b) Delay in execution of Projects**

-----

Four projects at an estimated value of Rs.3,387,199 had been cancelled. Three projects for which agreements had been entered into for Rs.4,291,308 had not been commenced.

##### **(c) Solid Waste Material Management**

-----

(i) The garbage tax arrears receivable as at 31 December 2016 amounted to Rs.1,903,443 of which Rs.793,105 representing 41.67 per cent had been recovered during the year under review.

(ii) Segregated garbage of 7,117 tons and mixed garbage of 14,539 tons had been handed over to the Karadiyana garbage sector during the year 2017. The collection of garbage had not been properly managed and as such the Council had to pay an extra amount of Rs.10,904,250 with regard to mixed garbage.

(iii) Eight local authorities including the Kesbewa Urban Council dispose their garbage at the Karadiyana garbage sector. Eighty per cent of this land belongs to the Kesbewa Urban Council. As such, the public residing in the authoritative area of the Council may face health and environmental problems in future.

#### **3.2 Management Inefficiencies**

-----

(a) Action had not been taken to carry out a survey regarding telecommunication towers constructed within the authoritative area of the Council and to levy fees accordingly.

(b) The old guest house of the Council had been demolished and the first stage of the new building estimated at Rs.52,929,240 had been constructed and handed over to the Council on 04 December 2014. The revenue expected from the guest

house during 2016 and 2017 amounted to Rs.6,000,000. However, no revenue, whatsoever, had been earned even by end of the year under review.

### 3.3 Human Resources Management

-----

The information relating to the cadre of the Council as at 31 December 2017 appear below.

Category of Employee	Approved Cadre	Actual Cadre	Vacancies
-----	-----	-----	-----
Senior Level	04	02	02
Tertiary Level	02	01	01
Secondary Level	61	60	01
Primary Level	184	174	10
	-----	-----	-----
Total	251	237	14
	=====	=====	=====

- (a) The Council had failed to fill 14 vacancies by end of the year under review.
- (b) Five out of 48 employees who had been recruited in terms of Public Administration Circular No.25/2014 of 12 November 2014 and permanently appointed had not been included in the approved cadre even by end of the year under review and action had not been taken to get reimbursement for the sum of Rs.49,173,705 paid to them as salaries from 2015 to 2017.

### 3.4 Operating Inefficiencies

-----

(a) **Dengue Eradication Programme**

-----

The red notices issued in 2017 as compared with the previous year had decreased from 479 to 277 and the cases filed against mosquito breeding centres had decreased from 183 to 118. However, the number of patients detected within the authoritative area of the Council had increased by 210, that is from 686 to 1446. Meanwhile, the death due to dengue had doubled from 03 to 06.

(b) **Cemetery and Crematorium Services**

-----

- (i) The Council had not taken action to prepare a ground plan by surveying the public cemetery at Halpita and to erect a security fence or a parapet wall around 13 cemeteries.



- (ii) A difference of 37.92 perches was observed during the comparison with the initial survey of 03 crematoriums. The extent of land of the crematorium could not be exactly identified as there was no security wall.
- (iii) Subsequent to the payment, permits had not been issued to applicants notifying the time of handing over of corpse to the crematorium keeper in terms of Section 06 of the bye-laws relating to crematoriums published in the Gazette Extra Ordinary of 28 December 2015. Further, the crematorium keeper had not maintained a register containing necessary details in terms of section 10.

**(c) Performance of Preparatory Schools**  
-----

- (i) According to Section 13 of the Preparatory Schools Enactments No. 01 of 2013 of the Western Provincial Council referred to in the Gazette Extra Ordinary No.1826/23 of 04 September 2013 of the Democratic Socialist Republic of Sri Lanka, all preparatory schools in the area should be registered. However, one preparatory school had not been registered. Four teachers with necessary qualifications had not been registered and identity cards issued to them in terms of Part V11.
- (ii) The number of children in preparatory schools had decreased from 80 in 2016 to 60 in 2017 whereas the number of teachers had doubled from 04 to 08.

**3.5 Assets Management**  
-----

**3.5.1 Assets not Acquired**  
-----

- (a) The Council had not acquired the (ownership) of 14 crematoriums of 25 acres and 38.75 perches belonging to the Kesbewa Urban Council.
- (b) The Council had not acquired 02 double cabs and a hand tractor which had been registered under the name of an external institution.

**3.5.2 Idle /Under utilized Assets**  
-----

- (a) Four vehicles costing Rs.2,256,000 had been lying idle for a period of 01 to 05 years.
- (b) The concrete mixing machine with a higher capacity donated by the Ministry of Disaster Management on 06 February 2012 had been lying idle for over 06 years.

**3.5.3 Annual Board of Survey**  
-----

Fixed assets valued at Rs.120,049,607 and the stock of general stores amounting to Rs.4,324,890 had not been subjected to board of survey for the year 2017.

### 3.6 Identified Losses

-----

Books valued at Rs.329,398 which had been issued to readers had been treated as books lost or books disposed of, and had been written off during the year under review. without proper approval.

## 4. Accountabilty and Good Governance

-----

### 4.1 Budgetary Control

-----

- (a) Subsequent to the transfer of provisions among the items of revenue and expenditure during the year, 15 instances had been observed where there were variances ranging from 2.16 per cent to 893.19 per cent in the actual revenue and expenditure showing that the budget had not been utilized as an effective instrument of management control.
- (b) The budgeted expenditure of 2017 had exceeded the limits by Rs.98,453,613 represented by 5.25 per cent of the recurrent expenditure and 68.84 per cent of the capital expenditure.

### 4.2 Internal Audit

-----

The activities of the internal audit branch had not been properly organized. Copies of internal audit reports had not been furnished to the Auditor General.

## 5. Systems and Controls

-----

Deficiencies observed during the course of audit were brought to the notice of the Chairman from time to time. Special attention is needed in respect of the following areas of control

<b>System</b>	<b>Deficiency</b>
-----	-----
(a) Accounting	(i) Omissions in accounts. (ii) Understatements and overstatements in accounts.
(b) Revenue Administration	(i) Non-recovery of arrears of revenue. (ii) Attention not being paid to obtain new sources of revenue.
(c) Contract Administration	(i) Lack of correct preparation of estimates. (ii) Non execution of approved projects.

- |                                    |  |
|------------------------------------|--|
| (d) Budgetary Control              | (i) Lack of preparation of feasible revenue estimates.<br>(ii) Extensive variations in items of revenue and expenditure.                               |
| (e) Debtors and Creditors' Control | (i) Non recovery of arrears.<br>(ii) Non settlement of creditors.  |
| (f) Internal Audit                 | Lack of organization of internal audit activities.   |
| (g) Human Resources Management     | Lack of necessary recruitments.  |
| (h) Assets and Stock Control       | (i) Idle Assets<br>(ii) Lack of updated register of assets<br>(iii) Fixed assets not being brought to account.<br>(iv) Lack of proper board of survey. |