

Panadura Urban Council

Kalutara District

1. Financial Statements

1.1 Presentation of Financial Statements

While Financial Statements for the year 2017 had been submitted to Audit on 29 March 2018, the Auditor General's Report relating to the year under review was sent to the Chairman of the Council on 05 October 2018.

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 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

Following deficiencies were observed.

- (a) Library Books valued at Rs. 514,816 received as donations during year under review had been accounted as an expenditure of the year and as a revenue under Revenue Grants.
- (b) Releasing a House Rent Deposit of Rs.10,500 relevant to the year 2005 had been shown in the financial statements as an expenditure of the year under review. Due to the expenditure for the year had been overstated to that extent.
- (c) Although a purchase of cab vehicle and fixing a camera system (CCTV) had not been made during the year under review, creditors provision of Rs.8,600,000 had been made for that..
- (d) Creditors provision of Rs.300,275 relevant to the year under review had not been made. Due to that, value of creditors and expenditure for the year had been understated at the rate of Rs. 300,275.
- (e) Provision for creditors had not been made for Furniture and Equipment valued at Rs. 211,320 purchased during the year under review.
- (f) Concrete Tables and Benches valued at Rs. 250,000 purchased during the year under review had not been capitalized. Due to that, Fixed Assets and Contribution from Revenue to Capital Outlay Account had been understated in the financial statements at the rate Of Rs . 250,000.
- (g) The sum of Rs. 17,945 received from auction sale of goods had been accounted under Capital Grants instead of showing under Other Revenue.

- (h) Provision had not been in the accounts for the sum of Rs. 531,241 payable to the Director of Pensions as at 31 December 2017.

1.3.2 Non-reconciled Accounts

 Non-reconciliations in a sum of Rs. 1,534,367 was observed between balances of three items of accounts amounting to Rs. 148,494,806 shown in the financial statements and the balances show in the relevant schedules.

1.3.3 Accounts Receivable and Payable

 Accounts Receivable

 Action had not been taken to recover a sum of Rs.7, 650 receivable on the grounds of dishonored Cheques since the year 2012.

1.3.4 Lack of Written Evidence for Audit

 Two items of accounts totaling Rs. 10,758,730 could not be satisfactorily vouched in audit due to lack of board of survey reports.

1.3.5 Non-compliance with Laws, Rules, Regulations and Management Decisions.

 Instances of non-compliance with laws, rules, regulations and management decision are shown below.

Reference to laws, rules, and regulations and management decisions.	Value	Non-compliance
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	Rs.	
(a) Urban Councils Ordinance (Chapter 255)		
I. Section 159 (1)(g)	150,000	Sanction of the Minister of Local Government had not been obtained for incurring expenditure for the local government sports event.

- ii. Section 165 (c) (1)
- (b) Gazette Notification No. 1999 121,200 dated 23 January 2016 of the Democratic Socialist Republic of Sri Lanka
- (c) Gazette Notification No. 1533/16 dated 25 January 2008 of the Democratic Socialist Republic of Sri Lanka
- (d) Public Administration Circular No.2016/30 dated 29 December 2016 Paragraph 3.1
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 2017 had been Rs. 48,067,145 as compared with the corresponding excess of revenue over recurrent expenditure amounted to Rs. .60,395,961 in the preceding year.
- 2.2 Revenue Administration

- 2.2.1 Estimated Revenue, Revenue Billed, revenue Collected and Arrears of Revenue

- Information relating to Estimated Revenue, Revenue Billed, revenue Collected and Arrears of Revenue for the year under review and the preceding year as furnished are shown below.
- Although one percent of the selling price should be obtained, by the Sabha as income from lands auctioned in the area of authority of the Sabha, instead of that only one percent of gross estimate prepared by the Revenue Overseer had been obtained.
- Although charges should be recovered as stated from publicity advertisements fixed and displayed in the area of authority of the Council, action had not been taken to recover charges for 44 publicity advertisement boards.
- There were 04 Institutes which did not take action to renew the licenses again after completion of the period obtained for the environment license obtained for the environment license as per instruction given through the Environment Authority.
- Fuel consumption tests of the vehicles belong to the Council had not been carried out.

Source of Revenue	2017				2016				
	Estimated Revenue	Revenue Billed	Revenue Collected	Total Arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total Arrears as at 31 December	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
(i) Rates and Taxes	44,052,000	45,430,038	37,151,958	11,779,927	45,451,000	43,993,974	31,189,526	13,041,322	
(ii) Rent	1,506,000	1,560,013	1,542,113	17,900	3,568,000	3,563,380	3,439,903	123,477	
(iii) License Fees	2,675,000	415,810	1,837,154	-	2,473,000	364,367	2,315,933	8,000	
(iv) Other Revenue	76,271,000	55,000,000	23,968,441	-	60,957,000	40,000,000	67,884,945	-	

2.2.2 Performance in Revenue Collection

At the beginning of the year under review overall arrears of revenue amounted to Rs. 13,172,799, while billings relevant to the year was Rs. 102,405,861. While receipts, write-off and adjustments during the year was Rs. 103,780,833, overall arrears as at 31 December 2017 amounted to Rs. 11,797,827.

2.2.3 Rates and Taxes

(a) Rates

- i. While there were rates in arrears amounting to Rs. 23,350,372 at the beginning of the year under review, out of arrears a sum of Rs. 15,399,211 or 66 percent had been recovered during the year.
- ii. While rates billing for the year had been Rs. 42,413,882, out of that a sum of Rs. 30,705,731 or 72 percent had been recovered during the year.

2.2.4 Rent

Rent of Trade Centers

- (a) While there was a balance of Trade center Rent in arrears amounting to Rs. 593,287 at the beginning of the year under review, out of that a sum of Rs. 386,517 or 65 percent remained to be recovered as at 20 September 2018.
- (b) While a sum of Rs. 27,793 only had been recovered out of trade center rent in arrears amounting to Rs 386,260 outstanding for than 5 years, action had not been taken to recover the balance arrears of Rs.358,467.

2.2.5 License Fees

According to the trade license survey for the year 2017, Revenue Inspector had reported that 23 business places liable to pay trade license fees had been closed. However, information confirming that were not made available.

2.2.6 Stamp Fees

Stamp fees receivable from the Chief Secretary to the provincial Council and other authorizes as at 31 December 2017 was Rs. 96,105,750.

3. Operatiional Review

3.1 Performance

Matters revealed with regard to fulfilling regulation and control anadministration of public health, public utility services and public thoroughfares, generally with the protection and promotion of the comfort convenience and welfare ofthe people and amenities by the Council under Section 4 of the Urban Councils Ordinance are shown below.

(a) By-laws

Although by-laws have to be imposed under Section 157 of the Urban Councils Ordinance in order to perform 15 main functions, by-laws had been imposed only for 6 functions even up to 31 December 2017.

(b) Lack of Provision

According to annual action plan prepared, 92 functions had to be performed by the Council for the year under review. However, provision had been made only for 60 functions through the budget Therefore it had not been possible to perform 32 functions. while 10 projects for which provision not made had been completed during the year.

(c) Solid Wastes Management

While sums amounting to Rs. 19,479,079, Rs. 31,059,000 and Rs. 30,635,703 had been paid to outside parties during the years 2015, 2016 and 2017 respectively for garbage disposal, expenditure amounting to Rs.5,316,973 had been incurred for implementation of 2016 and 2017 garbage management projects. Although a large expenditure had been incurred including expenditure of the staff taking part and vehicles utilized for garbage management, action had not been taken to minimize that expenditure through a management plan. Although a bio gas unit had been constructed for garbage management by spending funds of the Garbage Management Authority and the Council funds, that project had not been implemented.

(d) Sustainable Development Targets

Except an awareness obtained through public media, the Council did not possess any other guidelines or procedure.

3.2 Management Inefficiencies

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- (a) Although Reservation Fees for the Town Hall had been decided based on a Finance Committee decision without a gazette notification, instances of non-recovery of fees accordingly were observed.
 - (b) Although a sum of Rs. 216,000 had been deposited by the auctioneer during the year 2014 for widening the relevant road according to land sub partitioning No. 5438, relevant money had been taken to revenue without fulfilling that work.
 - (c) While action had not been taken since the year 2015 to recruit a competent person for the swimming pool belongs to the Council, the loss occurred in maintaining this swimming pool during the years 2016 and 2017 amounted to Rs. 2,950,239. Although charges are recovered from the users of this swimming pool, any charge is not recovered from the private trainers who use the swimming pool. It was observed that they derive a large income by using the Council property.
 - (d) Information relevant to three wheeled vehicle parks belong to the Council had not been obtained having carried out a survey. Due to that, out of 68 vehicle parks registered in the area of authority of the Council, only 10 parks had obtained the licenses for 2017.

3.3 Human Resources Management

(a) Cadre Vacancies

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- (i) A female management assistant in supra grade had been appointed to cover the duties of the post of Secretary which should be held by an officer the Sri Lanka Administrative Service.
 - (ii) The post of accountant had been vacant throughout the year.
 - (iii) Although 100 sanitary laborers were serving in the permanent cadre of the Council, 49 out of them had been engaged in other duties, other than the duties of the permanent post, while out of 48 field laborers 27 of them had been engaged on other duties.

(b) Staff Loans

While the dormant loan balance as at 31 December 2017 was Rs. 1,086,533, out of that unidentified loan balance of Rs. 521,639 coming from a period prior to the year 2010 and a loan balance of Rs. 8,925 outstanding from an officer vacated post more than 05 years ago were included therein.

3.4 Operational inefficiencies

Public Market Building Complex falling into risky condition

This building was planned to construct with two floors to the extent of 25,830 square feet during 1993 and 1994 and completed having constructed only one floor. This market complex consist of 250 inner trade stalls and 70 outside trade stalls. However according to the report dated 24 August 2016 given by the National Building Research Institute, it had been revealed that the concrete structure of the building had got decayed and repairing is not effective and that a dangerous position could be arisen to the users and it should be demolishe and removed. However those trade Stalls were carrying on even up to now (30 June 2018). Although it had been ordered by the Parliament Accounts Committee Meeting held on 04 July 2017 to resort court action regarding this matter, Urban Council had not been able to implement that order.

3.5 Procurements

3.5.1 Supplies

- (a) Quotations had been called for from registered suppliers for the purchase of 20 chairs and minimum quotation received had been Rs.3,338. per chair from Alfa Industries. However, without making the purchase from that establishment, 20 chairs had been purchased for Rs. 80,550 from Damro Establishment at the rate of Rs. 4,027 per chair, which is not a registered supplier.
- (b) When calling for quotations from registered suppliers, specifications of goods required had not been properly mentioned. As a result, specifications of the establishments which submitted minimum quotations had been rejected on the grounds of not conforming to requirements and purchases had been made from establishment which submitted higher quotations.

4. Accountability and Good Governance

4.1 Budgetary Control

Variations in a range from 3 percent to 5,224 percent between budgeted revenue and actual revenue and variations in a range from 2 percent to 182 percent between budgeted expenditure and actual expenditure were observed. Therefore it was observed that the budget had not been made use of as an effective tool of management.

5. Systems and Controls

Deficiencies observed were brought to the notice of the Council through audit queries issued from time to time. Special attention of the Council is needed in the following areas of controls.

System	main deficiency in the system
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(a) Accounting	I. Instances of omissions, under/over statements in the accounts. II. Deficiencies in ledger accounts.
(b) Garbage Management	I. Lack of attention for compost activities. II. Lack of attention for recycling. III. Lack of attention for controlling garbage disposal expenses.
(c) Revenue Administration	I. Non-recovery of arrears of revenue. II. Non-assessment of taxes within prescribed period.
(d) Budgetary Control	I. Material variances between the budget and actual revenue. II. Material variances between the budget and actual expenditure.
(e) Fixed Assets	Non-updated registers.