

Panadura Urban Council

Kalutara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented for audit on 29 March 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 25 July 2019 and 23 September 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Panadura Urban Council as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basics for the Qualified Opinion

a) Accounting Deficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
i. The License Income for the Health Services Program had been overstated by Rs.86,050.	Should be accounted correctly.	The actions would be taken to correctly account in the next year.
ii. Equipment Expenses had been understated by Rs.177,926 and common stores had been overstated by Rs.177,926 on Public Administrations and Physical Planning Programs in the year under review.	Should be accounted correctly.	The actions would be taken to correctly account in the next year.
iii. The balance as at 31 December 2018 of Rs.1,286,130 and the earnings for the year 2018 of Rs.172,496 in the Savings Account on "Nenasala" Center had not been stated in the Financial Statements and the income from the previous year of Rs.1,123,638 had not been adjusted for the Accumulated Fund Account.	Should be accounted correctly.	The actions would be taken to correctly account in the next year.

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| iv. | The Members Allowances and Receivable Member Allowance had been understated by Rs.285,000. | Should be accounted correctly. | The actions would be taken to correctly account in the next year. |
| v. | Even though the value of a Tractor and a Trailer of Rs.3,285,000 had been given to deduct it, from the Stamp Duty Income in the year 2017, that should be debited to the Utility Services Account and credited to Provincial Council Debit Account it had been debited to the Accumulated Funds by Rs.3,285,000 therefore the balance of the Accumulated Funds Account had been understated by Rs.3,285,000. | Should be accounted correctly. | The Department of Provincial Council had not been given the advices to account it. |
| vi. | The Software System purchased for Rs.2,955,000 in the year 2016 had not been capitalized. | Should be accounted correctly. | The actions would be taken to correctly account in the next year. |
| vii. | The Closing Stock had been overstated by Rs.1,005,933 because it had been accounted the accounted the Book Value of the Closing Stock for the Physical Value of Rs.8,326,666 of the Closing Stock. | Should be accounted correctly. | The error had been corrected. |
| viii. | The Fixed Assets value had been overstated by Rs.60,184 for the year under review. | Should be accounted correctly. | Actions would be taken to account it correctly. |
| ix. | The Fixed Deposits value had been overstated by Rs.750,811 and the interest of the Fixed Assets had been understated by Rs.96,084 for the year under review. | Should be accounted correctly. | Actions would be taken to account it correctly. |

b) Lack of Necessary Documentary to Evidence for Audit

Audit Observations

Recommendations

Comments of the Accounting Officer

Accumulated value of Rs.20,667,441 on six items of accounts could not be satisfactorily vouched during the audit due to non rendition of Fixed Assets Register, Advances Register and the Employee Loan Sub Register and Board of Survey Report had not been provided.

Evidence for confirming the balances of accounts in the financial statements should be furnished.

The actions would be taken to correctly account in the future.

1.4 Non Compliances

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

Reference to Laws, Rules, Regulations and Management Decisions	Value Rs.	Non Compliances	Recommendations	Comments of the Accounting Officer
(a) Urban Council Ordinance of 1988 Section 170 (2)		Forbidding the Property had not been done as the Last Step of recovering the Rates in Arrears.	Actions should be taken to forbid the property as the last step of recovering the rates in arrears.	Actions would be taken to recover the rates by Issuing Vinigraha License and Forbidding the property.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R 371(2)(C)	1,078,095	The advances had be settled after completing the relevant tasks but it had not been done.	The assessed advance should be settled soon after then task had been completed.	A request had been done form the Assistant Provincial Commissioner to remove an Advance Balance of Rs.1,061,250.
(e) Gazette No.1533/16 dated 25 January 2008	-	Actions had not been taken to renew Environmental Licence expired in 03 Institution and issue Licence for 09 Institutions.	Actions should be taken according to the Circular.	Actions had being taken to issue the Licence.
(d) The Special provisions Act No.48 of 1971 for Local Authorities and the State Finance	-	Even though the Rates Assessment should be done every five year an assessment had been last done in the year 2009.	Actions should be taken under the Act and the State Finance Circular.	An assessment had being done from the year 2018.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2018 amounted to Rs.50,657,789 as compared with the excess of the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.48,067,145.

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	2018		2017		Total arrears as at 31 December	2017		Revenue Collected
	Estimated Revenue	Revenue Billed	Revenue Collected	Estimated Revenue		Revenue Billed		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	45,200,000	47,666,748	35,586,716	18,851,019	45,550,000	45,438,537	33,658,610	
(ii) Rent	5,305,000	5,289,224	1,568,451	3,720,773	1,506,000	1,551,513	1,533,612	
(iii) Licence Fees	350,000	506,478	506,478	-	-	415,810	415,810	
(iv) Other Revenue	55,000,000	55,000,000	-	147,218,030	55,000,000	55,000,000	-	

2.2.2 Rates and Taxes

Audit Observations

Recommendations

Comments of the Accounting Officer

i. The Opening Balance of the rates in arrears had been Rs.19,659,311 for the year under review it had not been recovered 29 per cent of Rs.5,746,932 as at 30 June 2019.

Actions should be taken to recover the whole balance in arrears.

14.29 per cent of the arrears income had been recovered.

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| ii. | Even though the annual billings had been Rs.44,784,787 12 per cent of Rs.5,564,453 had not been recovered as at 30 June 2019. | Actions should be taken to recover the whole balance in arrears. | 12 per cent of the total billings had not been recovered. |
| iii. | The balance of the rates in arrears as at the end of the year under review had been Rs.18,719,584 and that balance had been Rs.11,321,546 as at 30 June 2019. | Actions should be taken to recover the whole balance in arrears. | The rate of recovering Rates had been 23.08 per cent. |
| iv. | According to the time analyses of arrears rates there was Rs.4,199,438 over 05 years and it was 37 per cent from the total areas rate. | Actions should be taken to recover the whole balance in arrears. | Recovering rate was 23.08 per cent. |

2.2.3 Trade and Business Tax

Audit Observations	Recommendations	Comments of the Accounting Officer
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Opening Balance of the trade and Business tax had been Rs.82,590 for the year under review and Rs.65,840, 80 per cent of that balance had not been recovered.	Actions should be taken to recover the whole balance in arrears.	Actions would be taken to recover the arrears income.

2.2.4 Stall Rent

Audit Observations	Recommendations	Comments of the Accounting Officer
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i. The Opening balance of the arrears Stall Rent from 302 Stalls owned by the Sabha had been Rs.435,840 for the year under review and Rs.386,577 , 88 per cent of that had not been recovered at the end of the year under review.	Actions should be taken to recover the arrears rent.	The Justification reports for the removal of the Rent in arrears had being made.
ii. According to the new assessment the billed income from the rent of 22 Stalls in the Station Road and 22 Stalls in the Market Road had been rs.4,968,000 for the year under review and 75 per cent of Rs.3,720,773 had not been recovered in	The arrears should be recovered under the new assessment.	An inquiry had been done from the Legal Officer of the Department of Local Authorities to agree with the new assessment and actions would be taken accordingly.

the year under review. And the overall arrears for the year under review at the end of the year under review had been Rs.4,107,289.

2.2.5 Three-wheeler Charges

Audit Observations	Recommendations	Comments of the Accounting Officer
Even though Sabha had gazette 67 Three-wheeler Stands only 43 out of that had been handed over to the Survey in the year 2018. No fee had been charged from the three-wheelers taken under the survey.	The fees should be charged by the three- wheeler stands after a necessary survey.	There had been matters with the three-wheeler owners when charging fees from the three-wheeler stands and action would be taken to settle them by amending the by-laws.

2.2.6 Stamp Duty

Audit Observations	Recommendations	Comments of the Accounting Officer
The receivable Stamp Duty had been Rs.66,122,270 as at 30 June 2019.	Action should be taken to recover the receivable Stamp Duty.	The Stamp Duty Sub register had been sent to the Commissioner of Local Authorities.

3. Operating Review

3.1 Performance

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) By-laws Even though by-laws should be imposed on 15 main matters under the section 157 of Urban Councils Ordinance as at 31 December 2018, the by-laws had been imposed only on one matter.	Action should be taken to allocate necessary by-laws, under the Ordinance.	The By-laws had been imposed by the gazette on 28 December 2015 for the 15 main matters.

(b) **Action Plan**

- i. An Imprest Plan for the recurrent and capital expenditure of Rs.259.1 million had not been prepared by the annual budget under Action Plan made by the Sabha. Actions should be taken under the circulars. Actions would be taken accurately.
- ii. Even though 15 Projects had been prepared by the Action Plan of the year under review, without completing them in Rs.5.4 million had been expended for 17 Projects out of the Action Plan. Actions should be taken under the circulars. Actions would be taken accurately.

(c) **Solid Waste Management**

- i. An expenditure of Rs.2,522,037 had been made in the year 2018 for the Waste Management and the overall expenditure had been Rs.40,136,037 therefore it had been 95 per cent of the overall billed rates. The waste management should be done by a long term plan with a minimal cost. The Authority to disposal of garbage had been assigned to a private institution because the Sabha has no proper place to dispose the garbage and a formal way to dispose.
- ii. A Biological Gas Unit had been built by spending Rs.774,593 from the Funds of the Sabha and the Authority of Waste Management in the year 2010. Actions should be taken to use the Biological Gas Unit properly. Rs.1,000,000 should be spent to make the status of the Biological Gas unit active and the expected benefits could not be obtained by it.

(d) **Targets of Sustainable Development**

- i. The Sustainable Development Targets had not been entered in the Action Plan for the year 2018 and a suitable process and officers for the collection of data for the identified indices had not been made. Actions should be taken to identify the Sustainable Development targets and the indices and act accordingly. The program for the Poverty Alleviation would be expected to start in the year 2020.

- ii. The financial provisions to attain the sustainable development targets had not been allocated by the Sabha and a process to manage the physical assets had not been made. Actions should be taken according to the Circular. Actions would be taken to attain the Sustainable Development Targets.

3.2 Human Resources Management

Audit Observations	Recommendations	Comments of the Accounting Officer
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(a) <u>Employee Vacancies and Excess</u>		
i. Accountant” Public Health Inspector, Librarian, One Post of Technical Officers (civil), One Post of Management Assistants, 02 Posts of revenue Inspectors, 20 Posts in Primary level had been Vacant in the approved Cadre.	Actions should be taken to fill up the vacancies.	Actions would be taken to fill up the vacancies.
ii. Even though a sufficient amount of Labourers had been worked, the Sabha had been hired the service from a private institution to clean the Hudson Garden for Rs.25,200 per month in the year 2018.	The approved Cadre should be updated under the need of Staff.	Actions had been taken to obtain a efficient service because the staff had not been enough.
(b) <u>Employee Loans</u>		
i. Loan Balance of Rs 1,151,305 as Rs.102,700 from a diseased officer, Rs.282,600 from 02 officers left the service, and Rs.776,005 from 05 retired officers had been arrears as at 01 July 2019.	The arrears loan balance should be recovered as soon as possible.	Actions would be taken to recover.
ii. The unrecognized employee loan balance continuously coming from year 2009 had been Rs.521,639.	Actions should be taken to identify the Loan Balances.	Actions would be taken to obtain the permission to remove the balance from the accounts.

3.3 Operating Inefficiencies

Audit Observations

Recommendations

Comments of the Accounting Officer

- a. Even though the Shopping Complex building size of 25,830 sq.ft. built in the year 1993 and 1994 that recommended on 24 August 2016 to demolish by the National Building Research Organization because of decaying of the concrete structure and could not be repaired, the stall had been still running as at 15 June 2019. Even though it had been ordered to take legal actions by the Committee on Parliamentary Accounts on 04 July 2017, actions had not been taken as at 15 June 2019.
- Actions should be taken according to the orders of the Committee on Parliamentary Accounts on 04 July 2017.
- Actions would be taken according to the orders of the Committee on Parliamentary Accounts.

3.4 Assets Management

Audit Observations

Recommendations

Comments of the Accounting Officer

- The Revenue License and Insurance Certificates had not been obtained for 09 Tractor Trailers owned by the Sabha.
- The Revenue License and Insurance Certificates should be obtained for all the vehicles in running condition.
- Actions had being taken to obtain the Revenue license and Insurance Certificates.

3.5 Procurement

Audit Observations

Recommendations

Comments of the Accounting Officer

- No Specific Procedure to measure the performance of 17 Industries expended of Rs.5,425,422 had done out of the action Plan.
- A Procedure to measure the performance should be made.
- The Projects out of the action Plan had been done according to the priority under the suggestion made after the Sabha had been formed.

4.1 Supplies and Services

Audit Observation

06 out 14 table had been observed broken by the Physical Inspection carried out on 27 December 2018 of the Concrete Tables with 04 chairs had been placed in the Beach Garden under the Ministry of Local Government on 31 December 2017 by an expenditure of Rs.984,587.

Recommendation

The goods should be purchased by the agreed standard quality.

Comments of the Accounting Officer

The equipments had been broken because of the negligence of the users of the Beach Garden.