

**Kalutara Urban Council**

**Kaluthara District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2019 had been presented for audit on 28 February 2020 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 19 June 2020 and 30 September 2020 respectively.

**1.2 Qualified Opinion**

In my opinion, except for the effect of matters described in the part, basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Kalutara Urban Council as at 31 December 2019 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**

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
Payable of Rs.363,041 on 02 projects at the end of the year under review had not been allocated provisions for Creditors and Rs.1,462,633 had been over allocated on 05 projects.	Provisions should be allocated for all the creditors.	Kindly request to remove the paragraph from the final report because no amount had been over or under entered when preparing the Financial Statements.

**b) Unreconciled Accounts**

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
A difference of Rs.354,450 had been observed between the balances of 02 items of accounts in the Financial Statements of Rs.564,799 and its balances shown in the subsidiary registers.	The Financial Statements and the registers should be reconciled and make that accounts.	Kindly request to remove the paragraph from the final report because there is no difference between the Financial Statements and the registers.

**c) Lack of Necessary Documentary to Evidence for Audit**

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
Accumulated value of Rs.6,628,417 on two items of accounts could not be satisfactorily vouched during the audit due to non rendition of the stock register and the survey reports.	Evidence should be rendered to confirm the balances showed in the Financial Statements.	Kindly request to remove the paragraph from the final report on difficulties of forwarding because the reports had been prepared when the Financial Statements and it could not be rendered at different times according to the situations arouse.

**1.4 Non Compliances**

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

<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Value Rs.</b>	<b>Non Compliances</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
(a) Section 44 of the Urban Councils Ordinance 1988		Overall amount of roads owned by the Sabha had not been recognized under constructed and proposed to be constructed.	Overall amount of roads owned by the Sabha should be recognized under constructed and proposed to be constructed.	Agreed with the Section of audit.
(b) Gazette Notice by Democratic, Socialist Republic of Sri Lanka dated 17 November 2017	47,100	The charges had not been recovered 15 Hoarding Boards exhibited within the Kauthara Urban Council Authority.	Actions should be taken according to the Gazette.	Agreed with the Section of audit.
(c) Gazette No.1533/16dated January 2008	25	Actions had not been taken to recognize the industries which should obtain the Environmental License.	Actions should be taken according to the Gazette.	Agreed with the Section of audit.

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| (d) | Section 3(b) of the Public Finance CircularNo.01/2014 dated 14 February 2014 | 67,700,000 | 36 projects recognized to implement in the Action Plan had not been entered in the budget even though the Action Plan should be made under the priority list made based on the annual budget . | Actions should be taken according to the Circular. | The projects that expected to implement in the year 2019 had been approved in the year 2020 and the priority had been given under Public Need. |
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**2. Financial Review**  
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**2.1 Financial Results**  
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According to the financial statements presented, the excess of expenditure over recurrent revenue of the Sabha for the year ended 31 December 2019 amounted to Rs.5,870,274as compared with the excess of the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.13,567,270.

**2.2 Revenue Administration**  
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**2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue**  
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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	2019				2018			
	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	27,361,000	27,306,936	20,790,907	18,939,397	26,363,000	31,407,662	19,342,277	23,048,163
(ii) Rent	15,530,000	14,785,574	14,400,994	901,612	13,665,000	11,518,852	10,647,589	1,152,468
(iii) License Fees	1,001,000	1,413,556	1,413,556	-	2,001,000	375,464	375,464	-
(iv) Other Revenue	45,427,000	55,080,434	23,649,791	50,000,000	47,792,000	41,090,794	41,090,794	20,000,000
	89,319,000	98,586,500	60,255,248	69,841,009	89,821,000	84,398,772	71,456,124	44,200,631

## 2.2.2 Performance in Collection of Revenue

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Audit Observations	Recommendations	Comments of the Accounting Officer
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According to the time analysis of the rates in arrears it included rates in arrears older than 10 years of Rs.738,258, rates in arrears between 5-10 years of Rs.1,422,089, rates in arrears between 01-05 years of Rs.5,233,604 and rates in arrears less than a year of Rs.5,994,814.	The arrears income should be recovered.	Agreed with the Section of audit.

## 2.2.3 Lease Rent

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Audit Observations	Recommendations	Comments of the Accounting Officer
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It had only recovered lease rent of Rs.12,200 within the year out of the arrears in lease rent of Rs.78,000 at the beginning of the year under review.	The Arrears should be recovered as soon as possible.	Agreed with the Section of audit.

## 3. Operating Review

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### 3.1 Performance

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Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) <b><u>Action Plan</u></b>		
32 Projects of Rs.29,453,176 had been implemented out of the Action Plan within the year 2019.	Projects should be implemented according to the Action Plan and the progress of the activities should be measured.	Agreed.
(b) <b><u>Solid Waste Management</u></b>		
A by-law had not been imposed by the Sabha on the Solid Waste Management and an Environmental License had not been obtained for the place where the garbage had dumped.	A by-law should be imposed on the Solid Waste Management and an Environmental License should be obtained.	Even though A request had been made from the Central Environmental Authority answer had not been provided.

(c) **Targets of Sustainable Development**

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| <p>i. Even though 100,000 plants had been estimated to plant under the Sustainable Development Plans 2019 it had not been done. Also Rs.200,000 had been estimated to distribute 20 hand carts among Street Sellers, it had been completed 10 per cent only out of it.</p>   | <p>Actions should be taken to accomplish the Targets of Sustainable Development.</p> | <p>An agreement had been stated.</p> |
| <p>ii. Even though it had been allocated Rs.2.4 millions by the budget estimate and recognized 500 mothers and children as beneficiaries under the development of child and maternal clinics under the Sustainable Development Plans 2019 it had not been confirmed the physical and financial progress of it.</p> | <p>Actions should be taken to accomplish the Targets of Sustainable Development.</p> | <p>Agreed.</p>                       |

**3.2 Human Resources Management**  
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**Audit Observations**  
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**Recommendations**  
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**Comments of the Accounting Officer**  
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**(a) Employee Vacancies and Excess**

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| <p>i. A Supra Grade Management Service Officer had been appointed to cover the vacant Secretary Post and the post of Accountant had been vacant.</p>  | <p>Actions should be taken to fill the essential vacancies that need a confirmed officer.</p> | <p>The Commissioner of Local Authority and the Chief Secretary had been noticed but the vacancies had not been filled.</p> |
| <p>ii. 05 fire fighter posts, 06 motor mechanics posts had been vacant</p>  | <p>The vacancies should be filled as soon as possible.</p>                                    | <p>03 vacancies out of 01 fire fighter and 06 motor mechanics had been completed.</p>                                      |
| <p>iii. 02 Librarians posts, 01 technical officer (Electrical) post , management Assistant post, 03 revenue inspector posts,01 health superintendant, 01 driver, 01 carpenter post, 01 office assistant post, 01 watcher post, 01 work labourer post and 06 health labourers posts had been vacant.</p> | <p>The vacancies should be filled.</p>  | <p>Inform that actions are being taken to fill the vacancies.</p>  |

**(b) Employee Loans**

Action had not been taken to recover the loan balance from 57 officers who left the service and deceased of Rs.654,799. The loan balance in arrears should be recovered. Agreed.

**(c) Employee Guarantees**

The Guarantees charges from the employees since the year 2009 of Rs.65,965 had not been invested in a bank account. The employee's guarantees should be invested in a bank account. Agreed.

**3.3 Management Inefficiencies**

**Audit Observations**

**Recommendations**

**Comments of the Accounting Officer**

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| (a) Sabha had no information on the amount surveyed and the amount published in the gazette about the roads constructed the end of the year under review.   | Sabha should own the details regarding the roads surveyed and the amount published in the gazette. | Agreed with the audit. |
| (b) A contract had been made in the year 2004 to redevelop the Kalutara Urban Council garden built during the time 1999- 2001 spending Rs.9,514,801. But the period had not been stated. The Sabha had lost an income that would be earned by renting the Stadium for sports for 183 days per year because of not acting according to the agreement and the agreed party had paid Rs.100,000 per year for the Sabha in this regard. . | The consideration should be given to the accuracy of the contract when making contracts.           | Agreed.                |

**3.4 Operational Inefficiencies**

**Audit Observations**

**Recommendations**

**Comments of the Accounting Officer**

A software system of Rs.4,450,000 installed in the year 2018 it had not been active even though 02 years had been over after installing it in 05 departments other than the rates department.	The software system should be installed in the entire department and made it active.	The Software system had not been made active even though it had been installed in entire rates department and all the system.
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### 3.5 Assets Management

#### 3.5.1 Idled and Underutilized Assets

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
a) The Computer equipments brought to implement a front office had been laid idled in the stores an implementation of front office had not been done.	Sabha should implement a front office and use the computers in it.	All the computers received for the front office had been issued to use except one.
b) 414 Garbage Bins given by the Authority of Waste Management had been idled since 04 years.	The idled Garbage Bins should be used.	Agreed with the audit.

#### 3.5.2 Vehicle Utilization

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
(a) 03 vehicles had been parked without using because they were not registered.	All the vehicles owned by the Sabha should be used after all the necessary actions were taken.	A request had been made from the Commissioner of Provincial Councils to have the assist of the Mechanical Engineer to dispose the vehicles not registered, but a response had not been received.
(b) Actions had not been taken to repair and reuse or dispose 07 vehicles that were not in running condition.	Suitable actions should be taken to repair and reuse or dispose the vehicles not in running condition.	A request had been made from the Commissioner of Provincial Councils to have the assist of the Mechanical Engineer to repair and reuse or dispose the vehicles not in running condition, but a response had not been received.

### 3.6 Informal Transactions

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
Actions had not been taken to lease out the new Market Building reconstructed in the Stores Road that had been given by the Urban Development Authority in the year	Actions should be taken to lease out the newly constructed building by	The money received had been hold in a deposit until the stalls had been



2019 and an amount of Rs.719,884 had been taken from signing a formal partitioned and business started and it had been decided to sign new formal agreements for the temporary agreements made.

38 lessees without signing lease agreements in December 2019.

### 3.7 Identified Losses

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Actions had not been taken to recover the loss occurred to the Sabha by the theft happened in May 2018 at Katukurunda Free Ayrvedic Medical Centre of Rs.115,250.	Actions should be taken to recover he loss.	Agreed.
(b) Actions had not been taken to recover the loss occurred by the fallen water tank given to the National Youth Center in December 2018 of Rs.20,320.	Actions should be taken to recover he loss.	Agreed.

### 3.8 Procurement

#### 3.8.1 Procurement Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
An Annual Procurement Plan had not been made for the material purchased for 22 Projects of Rs.15,192,665 estimated cost and built under the direct labour.	An annual Procurement Plan should be made and purchasing should be done according to it.	A Procurement Plan had been made for the year 2020 even though purchasing had not been done according to a Procurement Plan and a time table in the year 2019.

### 3.8.2 Contract Administration

#### Developing Roads with laying Tar

#### Audit Observation

#### Recommendation

#### Comments of the Accounting Officer

(a) 88.765 Cubes of Stones of Rs.584,931 cost had been left because of not purchasing with recognizing the needs.

A plan should be made on the projects and the purchasing should be done.

Purchasing had been made under the requisitions of the Technical Officers and it had been informed that the stock had been depicted the rest of the amount after issued by the issuing orders.

(b) Rs.119,600 had been paid for the suppliers for 6.5 sand cubes excessively on 03 projects even though the sand should be laid on the roads after laying the second layer of tar.

The material should be issued through the issuing orders of the store keeper.

This situation had been arisen because of the construction under the Direct Labour Method and issuing material from the stores without the issuing orders and the issuing orders had been entered later in the stock register.