

Kesbewa Urban Council

Colombo District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 30 March 2012 and the financial statements for the preceding year had been presented on 04 July 2011. The report of the Auditor General for the year under review was issued to the Chairman of the Council on 30 November 2012.

1.2 Opinion

In view of the comments and observations appearing in my report, I do not express an opinion on the financial statements of the Kesbewa Urban Council for the year ended 31 December 2011 presented for audit.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following matters are observed.

- (a.) The overdraft of the cash book amounting to Rs.15,940,916 as at 31 December 2011 had been entered in the trial balance as Rs.15,737,992.
- (b.) The stamp revenue paid to the Council in 2009 was Rs.32,329,841. The Provincial Commissioner of Revenue had deducted this amount while paying the stamp revenue for the year under review. However, the stamp revenue deducted had been accounted as receivable and the allowances paid amounting to Rs.20,730 had been accounted as expenditure of the previous year.
- (c.) The value of 04 tractors, 07 trailers, 04 computers, 02 televisions, 01 hand tractor, 08 garbage disposal hand carts and 01 wheel chair donated to the Council had not been accounted for.

1.3.2 Lack of Evidence for Audit

Transactions totalling Rs.35,425,969 could not be satisfactorily vouched in audit due to non-submission of necessary information to audit.

1.3.3 Unreconciled Control Accounts

Differences were observed between the balances of 06 items of accounts totalling Rs.263,958,998 as appearing in the financial statements and the balances appearing in the related subsidiary registers and reports. Differences aggregated Rs.7,876,952.

1.3.4 Accounts Payable

Action had not been taken to settle the sum of Rs.4,317,253 due to the Auditor General for auditing the financial statements of the Council for the period 2006-2010.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the revenue exceeding the recurrent expenditure of the Sabha for the year ended 31 December 2011 was Rs.105,445,736 as compared with the revenue exceeding the recurrent expenditure of the preceding year amounting to Rs.93,755,019.

2.2 Bank Accounts

The following matters are observed.

- (a.) The current accounts of banks had overdrafts contravening Financial Regulations 261(3) and 387. A summary of the interest an overdraft recovered by the bank is shown below.

<u>Year</u>	<u>Balance of overdraft as per financial statements as at end of the year (Rs.)</u>	<u>Interest on overdraft recovered by the bank (Rs.)</u>
2011	15,940,916	2,709,325
2010	15,631,859	2,358,240

- (b.) Follow up action had not been with regard to 3 cheques valued at Rs.10,302 deposited in 2011 and prior to it remaining unrealized yet.
- (c.) Action had not been taken in terms of Financial Regulations 189 and 486 of the Republic of Sri Lanka with regard to 08 dishonored cheques totalling Rs.291,382.

- (d.) A sum of Rs.4,581,918 was in a savings account for the entire year and the interest earned at the rate of 4% was Rs.185,184. Attention had not been paid to invest this in a fixed deposit to earn more interest.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and the Arrears of Revenue

Information relating to the estimated revenue, actual revenue and the arrears of revenue for the year under review, as presented by the Chairman, is shown below.

Item of Revenue	Estimated	Actual	Accumulated arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
i. Rates and Taxes	22,163	30,502	25,020
ii. Lease rent	11,355	11,201	4,739
iii. Licence Fees	2,903	2,834	415
iv. Other Revenue	8,786	20,074	-

2.4 Employees' Loans Receivable

Action had not been taken in terms of Sections 11.10 and 11.12.1 of Chapter XXIV of the Establishments Code of the Republic of Sri Lanka to recover the balances of loans amounting to Rs.369,416 as at 31 December 2011 due from 20 officers who had vacated posts, retired, died, etc.

2.5 Irregular Transactions

Payments amounting to Rs.15,904, each vide voucher No.1551 dated 19 September 2011 and Voucher No.1863 dated 15 November 2011 had been made twice for a steel cabinet with 04 drawers measuring 53" x 18.5" x 24.5" purchased as per Stores Received Note No.1354. Action had not been taken to recover the amount overpaid.

2.6 Operating Inefficiencies

The Waste Management Authority had donated 04 tractors and 07 trailers to the Kesbewa Urban Council on 20 January 2009 and 14 December 2011 respectively. The Council had not taken action to acquire them so far.

3. Systems and Controls

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

- (a) Accounting
- (b) Financial Control
- (c) Revenue Administration
- (d) Assets Management
- (e) Debtors/ Creditors Control