

Panadura Urban Council

Kalutara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 28 March 2013 and the financial statements for the preceding year had been presented on 26 March 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Council on 13 January 2014.

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 Panadura Urban Council for the year ended 31 December 2012 presented to audit.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following observations are made.

- (a.) A provision of Rs.91,471 only had been made as at 31 December 2012 in respect of a sum of Rs.9,343,929 payable for the projects commenced by the Council during the year under review.
- (b.) Although capital aid receivable in respect of the works for the year under review amounted to Rs.8,285,007, only a sum of Rs.2,500,896 had been brought to account.

1.3.2 Lack of Evidence for Audit

Transactions totaling Rs.21,040,432 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

2. Financial and Operating 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 2012 amounted to Rs.36,817,618 as compared with the excess of revenue over recurrent expenditure amounting to Rs.40,646,806 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

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

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	45,113	27,330	24,861
(ii.) Lease Rent	2,580	2,166	4,806
(iii.) Licence Fees	266	266	222

2.2.2 Rates and Taxes

- (a.) The balance of rates in arrears as at 31 December 2012 included balances over Rs.50,000 totaling Rs.2,196,537 relating to 0-01 year, Rs.1,738,467 relating to 02 to 05 years and Rs.449,313 relating to over 05 years and these balances had remained unrecovered even by 25 November 2013.
- (b.) Out of the balance of rates and taxes in arrears of the Division No.02 as at 31 December 2012, a sum of Rs.384,193 had been due in respect 13 balances over Rs.10,000.
- (c.) Out of the balance of rates and taxes in arrears as at 31 December 2012, only a sum of Rs.11,561,151 had been recovered by 30 September 2013 and there was a further balance in arrears amounting to Rs.12,828,166.

2.2.3 Other Revenue

- (a.) Charges had not been recovered in terms of Section 164(2) of the Urban Council Ordinance from an institution within the area of the Council that had been registered at the Sri Lanka Tourism Promotion Authority.
- (b.) Revenue recovered from the tourist hotels had been computed only on the details provided by these institutions and the actual revenue on which the licence fees recoverable had not been ascertained. However, according to the information obtained from the Sri Lanka Tourism Promotion Authority, 1 percent revenue on the turn over recovered by the Authority from 02 eating houses existed within the area of the Council amounted to Rs.31,109, but the 1 percent revenue paid to the Council was Rs.6,966.

2.2.4 Court Fines

- (a.) A Public Health Officer should check at least 02 samples of food items per month within his zone. But, food samples had been obtained from 01 trade stall on 07 May 2012 and sent for testing and action had not been taken to get the report even by 21 January 2013.
- (b.) The Court had recovered fines amounting to Rs.68,000 during the period 2008 to 2012 on cases filed in respect of food samples, but of this, 75 percent receivable by the Council amounting to Rs.51,000 had not been obtained.

2.3 Transactions Not Supported by Adequate Authority

According to the Circular No.3/2/3/4/2 dated 12 October 1998 of the Chief Secretary of the Western Province, the approval of the Director General of National Budgets should be obtained before purchase of vehicles. But, action had not been taken to obtain the Treasury approval for 03 vehicles purchase during 2012.

2.4 Employees Loans

- (a.) Loan balances amounting to Rs.1,453,345 due from officers retired, deceased and transferred and had been brought forward for over a number of years had not been recovered even by 31 December 2012.
- (b.) There was an unidentified employees' loan balance of Rs.534,074 which had been brought forward for over a number of years.

2.5 Operating Inefficiencies

The following observations are made.

- (a.) Advances totaling Rs.1,112,885 given from year 1990 had not been settled even by 31 December 2012.
- (b.) Action had not been taken to identify the lapsed deposits totaling Rs.7,135,885 relating to the period from 2006 to 2010 and to settle or to take to revenue in terms of Financial Regulation 571 of the Republic of Sri Lanka even by 10 June 2013; the date of audit examination.
- (c.) Variances at a range of 21 percent to 339 percent relating to 06 items of revenue were observed and as such it was observed that the budget had not been made use of as an effective tool of control.

2.6 Internal Audit

Action had not been taken in terms of Financial Regulations 128, 132 and 134 of the Republic of Sri Lanka and the Circular No.WP/LGD/10/2008 dated 19 August 2008 of the Commissioner of Local Government to operate an Internal Audit Unit.

3. Systems and Controls

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

- (a.) Accounting
- (b.) Revenue Administration
- (c.) Assets Management
- (d.) Budgeting