

Sithawakapura 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 28 March 2012 and the financial statements for the preceding year had been presented on 24 March 2011. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 29 January 2013.

1.2 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Sithawakapura Urban Council had maintained proper accounting records for the year ended 31 December 2011 and except for the effects on the financial statements of the matters referred to in my report, the financial statements have been prepared in accordance with the Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Sithawakapura Urban Council as at 31 December 2011 and the financial results of its operations and cash flows for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

(a.) Omissions in Accounts

The fixed assets valued at Rs.52,500 purchased during the year under review and 06 set of sirens given by the Waste Management Assistance Centre had not been capitalized.

(b.) Classifications Errors

The closing stock in hand at the end of the year under review amounting to Rs.6,525,926 had not been separately shown as general stores, electricity stores and ayurvedic stock.

1.3.2 Lack of Evidence for Audit

A schedule showing the preparation of balances of pre-payments amounting to Rs.1,110,351 and balances of general stores account amounting to Rs.6,525,926 had not been furnished to audit. As such, those balances could not be satisfactorily vouched in audit.

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.16,750,454 as compared with the revenue exceeding the recurrent expenditure of the preceding year amounting to Rs.16,428,291.

2.2 Revenue Administration

2.2.1 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	12,922	12,575	5,079
(ii.) Lease Rent	25,773	18,376	14,556
(iii.) Licence Fees	933	645	108
(iv.) Other Revenue	11,600	11,240	8,105

2.2.2 Issue of Trade/Environmental Licences

- (i.) Action had not been taken to issue licence by examining the business for the benefit of the public without considering the collection of revenue alone.
- (ii.) Field inspection had not been carried out to identify businesses which require environmental licences and as such opportunity had been afforded to carry out businesses which are harmful to the public.

2.3 Contract Administration

Issue of materials for Direct Work

The following observations are made in this connection.

- (a.) A register had not been maintained to show the tar issued for pre-mix, receipt and issue of chips stones and stock of sand, production of pre-mix and the balance stock.
- (b.) The pre-mix and other types of stones required for commencement of 39 work amounting Rs.2,490,080 carried out regarding maintenance activities including the following work from 01 January to 19 October 2011 had not been estimated. A certificate from the technical officer had not been obtained to show that the distance covered from start to end, quantity of pre-mix used and the quantity of types of stones used on roads where maintenance work had been completed was not available.

2.4 Irregular Transactions

Advances exceeding 20% of the estimate cannot be granted while obtaining goods or services in terms of Section 5.4.4 of the Government Procurement Guidelines. However, 52% and 61% of the estimated amount had been paid as advances for repairing 2 vehicles of the Council.

2.5 Operating Inefficiencies

The following observations are made.

- (a) The balances payable as at 31 December 2011 aggregated Rs.113,438,929. Included in it were balances amounting to Rs.10,267,133 which continued to be brought forward for over 5 years.
- (b) Significant adverse variations were observed between the budgeted and actual revenue and expenditure showing that the budget had not been utilized as an efficient instrument of management control.

2.6 Performance

The following matters were observed.

- (a) It was planned to conduct 12 mobile clinics during the year under review. But, a clinic alone had been conducted in 2011.

(b) It was planned to fulfill activities such as awareness about ayurveda, holding educational programmes at schools, modernization of herbal gardens and stalls for selling beverages of herbal plants. But, such activities had not been carried out during the year under review.

2.7 Assets Management

(a.) Employees' Loans Recoverable

The Employees' loan advances recoverable as at 31 December 2011 aggregated Rs.5,301,455. Arrears of loans amounting to Rs.165,001 too had been included in it.

(b.) Accounts Receivable

The balances receivable as at 31 December 2011 aggregated Rs.35,033,172. Balances amounting to Rs.15,367,883 which continued to be brought forward for 5 to 12 years had been included in it. Action had not been taken to recover/settle it.

3. Systems and Controls

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

- (a.) Accounting
- (b.) Revenue Administration
- (c.) Stock Control