

## **Beruwala Urban Council**

### **Kalutara District**

#### **1. Financial Statements**

##### **1.1 Presentation of Financial Statements**

Financial Statements for the year under review had been submitted to the Audit on 31 March 2015 while Financial Statements relating to the preceding year had been submitted on 24 April 2014. The Auditor General's Report relating to the year under review was issued to the Secretary of the Council on 24 July 2015.

##### **1.2 Opinion**

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Beruwala Urban Council as at 31 December 2014, its financial performance for the year then ended and cash flow in accordance with Generally Accepted Accounting Principles.

##### **1.3 Comments on Financial Statements**

###### **1.3.1 Accounting Deficiencies**

Following observations are made.

- (a) Blade Compactor purchased for a sum of Rs. 300,000 during the year under review had not been capitalized.
- (b) Stocks purchased for a sum of Rs. 212,500 during the year under review on loan basis had not been accounted.
- (c) Instead of reducing the value of issues from June to December during the year under review amounting to Rs. 1,823,850 from the Stocks Accounts, those had been added to the Creditors Account.
- (d) Relevant adjustments had not been made with regard to Expenditure incurred amounting Rs. 12,425 during the year under review in respect of the ensuing year.
- (e) In correcting the error of understatement of Rent Revenue of the preceding year amounting to Rs. 46,500, instead of accounting it in the Accumulate Fund Account, it had been accounted in the Suspense Account.

- (f) Although Fixed Deposits Interest amounting to Rs. 35,755 not accounted during the preceding year should be accounted in the Fixed Deposits Account and the Accumulated Fund Account; it had been accounted in the Deposits Account and the Suspense Account.
- (g) When correcting the error in capitalizing the value of Road Roller during preceding year by overstatement of Contribution from Revenue to Capital Outlay Account in a sum of Rs. 2,135,000, a sum of Rs. 1,682,822 only had been accounted.
- (h) When accounting the loan of Rs.8,540,000 obtained from the Local Loans and Development Fund during the preceding year, only the loan account had been credited having debited the Cash Account and the Accumulated Fund Account.
- (I) Debit balance of Rs. 10,040 in the Suspense Account at the beginning of year under review had been written-off to the Accumulated Fund without being identified.
- (J) When correcting the error of recording the purchase of Stores amounting to Rs.32,030 in the Expenditure Heads, although the Accumulated Fund Account should have been credited to the extent of that value having debited Store Account, Suspense Account had been credited.
- (K) When correcting the error of overbillings Trade License Revenue of the preceding year, amounting to Rs. 71,141 during the year under review, instead of reducing it from the Accumulated Fund, it had been accounted in the Suspense Account.

### **1.3.2 Lack of Evidence for Audit**

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Transactions totalling Rs.1,928,460 could not be satisfactorily vouched in audit due to non-submission of required Information

## **2. Financial Review**

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### **2.1 Financial Results**

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According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2014 amounted to Rs.20,858,335 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 3,365,490.

## 2.2 Revenue Administration

### 2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information furnished by the Secretary relating to Estimated Revenue, Actual Revenue and arrears of Revenue are shown below.

	Item of Revenue	Estimated	Actual	Arrears as at 31 December
		Rs.'000	Rs.'000	Rs.'000
(i)	Rates and Taxes	16,400	6,925	18,005
(i)	Lease Rent	12,650	11,501	1,161
	Licence Fees	86	84	2
(iv)	Other Revenue	129	129	-

### 2.2.2 Rates

While the balance of Rates in arrears as at the beginning of the year under review was Rs.8,613,088, Rates Billings for the year under review amounted to Rs.16,400,480. The Council had carried out a new assessment after 16 years and due to that Rates Billings for the year under review had been increased by 440 per cent when compared with the preceding year. While Rates balance in arrears as at the end of the year under review was Rs. 19,317,598, out of that a sum of Rs. 16,997,036 was in arrears as at 28 February 2015, date of audit. While there were 49 properties with arrears exceeding Rs. 20,000, total value of those had been Rs.1,778,501.

### 2.2.3 Stalls Rent

Following matters are observed.

- Balance of Stall Rent in arrears outstanding from 51 stalls as at 31 December 2014 was Rs. 689,244.
- When monthly rent of stalls referred to above is taken into consideration, approximately rent for a period ranging from 3 to one year had been in arrears.
- Although in the event of defaulting payment of rent continuously for three months, relevant stalls should be vested in the Council in terms of agreements, such action had not been taken with regard to the stalls referred to above.
- Stalls Rent Agreements had not been updated after 1988.

### **3. Operating Review**

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#### **3.1 Improper Transactions**

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In the event of incurring expenditure in aggregate of more than Rs. 5,000 per annum connected with any religious, charitable, cultural work, prior sanction of the Minister should be obtained according to Section 159 (f) of the Urban Councils Ordinance, Chapter 255 . However, without obtaining such sanction, a sum of Rs. 139,120 had been spent for the Literary Function - 2014 out of the Council Fund.

#### **3.2 Contracts Administration**

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The second coat of tar should be applied after 2 weeks of applying the first coat. The first coat of tar had been applied on Kankanamgoda Sub Way, Thalawagoda Road, Round Avenue and Distillery Road on 30 July 2014, 29 April, 04 April and 03 March respectively. Although 07 months, 11 months, 10 months and one year had elapsed respectively after applying the first coat of tar on those roads, it was revealed at the physical inspection carried out on 19 March 2015 that the second coat had not been applied.

#### **3.3 Management Inefficiencies**

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##### **3.3.1 Payment of Advances**

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Advances granted during the years 2008, 2011 and 2013 amounting to Rs.148,040, Rs.10,000 and Rs.36,500 respectively had not been settled even as at 31 December 2014.

##### **3.3.2 Staff Loans**

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Action had not been taken even up to 31 December 2014 to recover, Staff Loan Balance of Rs.190,807 outstanding to be recovered from 23 officers, who had vacated service, deceased and retired.

### **3. Systems and Controls**

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Special attention of the Sabha is needed in the following areas of controls.

- (a.) Accounting
- (b.) Internal Audit
- (c.) Revenue Administration
- (d.) Assets Management
- (e.) Vehicles Control