

**Beruwala Urban Council**

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**Kalutara District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

Financial Statements for the year under review had been submitted to Audit on 31 March 2016 while Financial Statements relating to the preceding year had been submitted on 31 March 2015. The Auditor General's Report relating to the year under review was sent to the Secretary of the Council on 22 July 2016.

**1.2 Qualified 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 2015 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Deficiencies**

Following deficiencies are observed.

- (a) Although Business Tax amounting to Rs. 102,000 receivable at the end of the year under review should be shown in the financial statements, it had been shown deducted from Other Revenue without taking such action.
- (b) Although the Capital Grant relevant to the year under review amounts to Rs. 4,418,657, it had been shown as Rs. 1,888,588 in the financial statements. Accordingly Capital Grant for the year had been understated in a sum of Rs. 2,530,069 in the accounts, while value of Work Debtors amounting to Rs. 2,530,069 had not been shown in the financial statements.
- (c) Although the Capital Expenditure relevant to the year under review amounts to Rs. 9,337,232, it had been shown as Rs. 11,241,897 in the financial statements. Due to that; Capital Expenditure of the year under review had been overstated in a sum of Rs. 1,904,665. Although Work Creditors balance as at 31 December 2015 was Rs. 2,531,069, it had been shown Rs. 4,435,731 in the financial statements. Due to that; Works Creditors balance had been overstated in a sum of Rs.1,904,662.

- (d) While Stamp Fees amounting to Rs. 2,758,070 relevant to past years received during the year under review had been accounted as revenue of the year under review, Stamp Fees Revenue relevant to the year under review had not been computed and accounted.
- (e) Office Equipment valued at Rs. 55,519 and Machinery and Equipment valued at Rs. 26,668 purchased during the year under review had been shown under recurrent expenditure without being shown as Capital Expenditure.
- (f) Although Fixed Deposits relevant to the year under review amounts to Rs. 13,424,764, those had been shown as Rs. 13,446,509. Due to that; Fixed Deposits balance had been overstated in a sum of Rs. 21,475.
- (g) Although Fixed Deposits Interest relevant to the year under review amounts to Rs. 496,242, it had been shown as Rs. 480,624. Due to that; Fixed Deposits Interest for the year under review had been understated in a sum of Rs. 15,618.

### **1.3.2 Non-reconciled Control Accounts**

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While the balance of 10 items of Accounts according to accounts was Rs. 65,367,764 according to relevant schedules balance had had been Rs. 66,873,877. Accordingly a difference of Rs. 1,506,113 was observed.

### **1.3.3 Lack of Evidence for Audit**

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Six balances of accounts totaling Rs. 4,767,568 could not be satisfactorily vouched in audit due to non-submission of detailed schedule and particulars.

### **1.3.4 Non-compliance with Laws, Rules, Regulation etc**

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Although an advance granted for a particular work should be settled immediately after completion of that work in terms of Financial Regulation 371(a), the unsettled balance of advances that was being brought forward since the year 2008, as at 31 December 2015 was Rs. 252,285.

## **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 2015 had been Rs.28, 402,723, as compared with the corresponding excess of revenue over recurrent expenditure amounted to Rs. 20,858,335 in the preceding year.

## 2.2 Revenue Administration

### 2.2.1 Arrears of Revenue

Arrears of Revenue totaling Rs. 24,596,759 at the end of the year under review had not been recovered in terms of provisions in Sections 160, 165, 170 in the Urban Councils Ordinance Chapter (255).

### 2.2.2 Rates

- (a) Out of the balance of Rates in arrears amounting to Rs. 19,317,599 as at 01 January 2015, a sum of Rs.6,335,09 or 33 percent only had been recovered as at 31 December 2015.
- (b) While billings for the year 2015 had been Rs. 15,267,795 out of that a sum of Rs. 5,885,511 or 39 percent only had been recovered as at 31 December 2015.

### 2.2.3 Advertisements Boards Charges

Charges amounting to Rs. 173,250 had not been recovered for Advertisements Boards fixed in area of authority of the Council.

## 3. Operational Review

### 3.1 Operational Inefficiencies

- (a) Action had not been taken to recover Staff Loans amounting to Rs. 115,378 due to be recovered from 69 employees.
- (b) Shortages of 327 Books valued at Rs. 39,046 and 23 books valued at Rs.2,069 observed in the Library Books Survey during the year 2013 in the Main Library of the Urban Council and Maradana Reading room respectively had not been recovered from the relevant officers.
- (c) The balance in the Value Added Tax amounting to Rs. 1,636,979 and the balance of Rs. 96,004 in the Nation Building Tax amounting Rs. 96,004 had not been remitted to Commissioner General of Inland Revenue even as at 31 May 2016.

### 3.2 Human Resources Management

Details relating to approved and actual cadre of the Sabha as at 31 December 2015 were as shown below.

	Approved	Actual	Vacant
Senior	03	02	01
Secondary	38	33	05

Tertiary	02	02	--
Junior	135	118	17
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	178	155	23
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Although there were 23 vacancies in the staff of the Sabha works had been had been performed. Accordingly, action had not been taken to make the actual cadre as the approved cadre.

### 3.3 Contracts Control

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- (a) The Project for Repairing the Halavagoda Road by tarring after erasure of pot holes had been performed incurring expenditure amounting to Rs. 582,030 on an estimate approved for Rs. 408,130. According to the work completion report, a supplementary estimate had not been prepared and approval had not been obtained for the additional work performed amounting to Rs.173,900, while a list of materials requirements had not been prepared.
- (b) While an estimate for Rs.188,596 had been approved for repairing the Old Road by tarring, although it had been approved for supply and file the Standard ABC Mixture, spread after measurement and compress adding water with a road roller of not less than 08 tons. However, according to the material issue notes, only 1.87 cubes of ABC Mixture had been added to this road. Similarly in place of 04 cubes of 1 ½ metal, only 0.93 cubes had been utilized.

### 4. Systems and Controls

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

- (a) Accounting
- (b) Budgeting
- (c) Revenue Administration
- (d) Assets Management
- (e) Contracts Control