

Beruwala 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 16 March 2017 and the financial statements for the preceding year had been presented on 31 March 2016. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Council on 29 September 2017.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position as at 31 December 2016 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

The following observations are made.

- (a) The revenue from interest on fixed deposits for the year under review amounting to Rs. 1,706,135 had been shown as Rs. 838,308 in the financial statements resulting in an understatement of revenue from interest on fixed deposits by Rs. 867,827.

- (b) The balance of the current account at the Peoples' Bank for the year under review amounted to Rs. 232,055. This had been shown in the fixed deposit balance and the cash balance as well. As a result, the current assets had been overstated in the financial statements by Rs. 232,055.

- (c) A sum of Rs. 27,683 had been recovered from the employees' salaries for the loss of library books. This had been credited to the Holiday Pay Account instead of being credited to the Library Books Account.
- (d) The sports equipment worth Rs. 155,710 shown in the schedule of furniture and fittings were not physically existent in the Sabha.

1.3.2 Lack of Evidence for Audit

Transactions aggregating Rs. 6,490,999 could not be satisfactorily vouched in audit due to non rendition of necessary information for audit.

2. Financial 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 2016 amounted to Rs. 42,076,220 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs. 28,402,723. Accordingly, an improvement in financial results amounting to Rs. 13,673,497 was observed during the year under review as compared with that of the previous year.

Increase in revenue by Rs. 19,276,427 and the increase in expenditure amounting to Rs. 5,602,930 had mainly attributed to the improvement in financial results by Rs. 13,673,497.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and the Arrears of Revenue

The information relating to the estimated revenue, actual revenue and the arrears of revenue furnished for the year under review appear below.

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
Rates and taxes	16,692	10,383	17,960
Lease rent	23,333	22,438	895
Licence fees	130	122	08
Other revenue	127	125	02

2.2.2 Rates and Taxes

- (a) Out of the balance of arrears of rates and taxes of Rs. 23,673,517 as at 01 January 2016, a sum of Rs. 12,022,611 representing 51 per cent only had been recovered by 31 December 2016.
- (b) The amount billed for the year 2016 was Rs. 15,267,162. Of this, a sum of Rs. 9,013,326 representing 59 per cent only had been recovered.
- (c) The arrears of balances as at 31 December 2016 amounted to Rs. 18,643,991. Of this, Rs. 7,237,365 belonged to 2065 units existing for 3 to 5 years, Rs. 3,129,374 belonged to 1083 units existing for 5 to 10 years, and Rs. 1,384,022 belonged to 395 units existing for over 10 years. Further, a sum of Rs. 448,551 belonging 6 units consisting of over Rs. 50,000 and a sum of Rs. 503,044 belonging to 11 units consisting of Rs. 30,000 to Rs. 50,000 had been included in the above arrears of balances.
- (d) One hundred and sixty three building applications received from 2014 to 31 October 2016 had been approved and compliance certificates had been issued for 08 of those approved plans. Action had not been taken to examine and issue compliance certificates and to obtain revenue from rates and taxes as per new assessments with regard to 155 buildings which had not received compliance certificates.

2.2.3 Revenue from Notice Boards

A physical verification carried out on 02 November 2016 revealed that action had not been taken to recover the sum of Rs. 79,012 due from 12 notice boards.

2.2.4 Court Fines and Stamp Fees

The amount due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2016 appear below.

	Rs.
(i) Court Fines	63,720
(ii) Stamp Fees	10,000,000

3. Operating Review

3.1 Operating/ Management Inefficiencies

(a) Action had not been taken to issue environmental licences to 11 institutions to which environmental protection licences should be issued as per authority referred to in the Gazette Notification No. 1533/16 dated 25 January 2008.

(b) Deposits had been obtained from the respective parties whenever roads of the Council had been damaged due to various reasons. But, the roads so damaged had not been repaired from the deposits obtained.

Further, the Council had received Rs. 516,771 for the damaged roads up to September 2016. This amount had been treated as revenue of the Council instead of being kept in the General Deposit Account.

(c) Administration of Land belonging to the Council

(i) Seventeen land included in the documents of the Council had no title deeds.

- (ii) Four land included in the register of fixed assets of the Account Branch had not been included in the register of land maintained at the Industrial Branch.
- (iii) Four land included in the register of land maintained at the Industrial Branch had not been included in the register of fixed assets of the Account Branch.
- (iv) Certain residents of the area had filed action in a court of law regarding the land where there was an old bucket latrine behind Sri Vijaya Canteen, Galle Road. The Council was not in possession of the title deed of this land. Accordingly, it was observed that the verdict of the case may be unfavourable to the Urban Council.
- (v) The residents of the area were in occupation of the land of the old slaughter house. Legal action could not be taken as there was no title deed.
- (vi) The portion of land close to Kochichimalai Mosque had been acquired by the residents of the area. Although the Urban Council had a survey plan of this land there was no title deed.

3.2 Idle Assets

According to the report of the Examiner of Motor Vehicles, 6 vehicles valued at Rs. 3,447,500 and 03 vehicles, the value of which had not been mentioned, had been lying idle for over 5 years. Action had not been taken even by 22 June 2017 to repair these vehicles or to auction them.

3.3 Solid Waste Material Management

- (a) The Council had not adopted a systematic procedure to dispose of, the garbage collected in the authoritative area of the Council.

- (b) A land had been purchased for Rs. 2,500,000 in September 2013 to dispose of, the garbage collected by the Council. As there was no road facilities to reach this land, the garbage collected had been sent to a private land close to the Council.
- (c) Many unauthorized houses were in existence close to the place where garbage had been disposed of at present, and the Council had not taken proper action regarding this.

3.4 Performance

The investment in fixed deposits amounted to Rs. 44,284,818 and the balance of the current account of the Council amounted to Rs. 31,330,356 as at 31 December 2016. However, the amount spent on industries during the year under review was only Rs. 16,342,278. Accordingly, the amount spent on development activities was only 22 per cent of the value of investments.

4. 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) Budgetary Control
- (d) Assets Management