

Seethawakapura Urban Council

Colombo District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2016 had been presented to audit on 27 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 2016 had been forwarded to the Secretary of the Council on 17 August 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 of Seethawakapura Urban Council 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 accounting deficiencies were observed in audit.

- (a) The following values had been omitted in the accounts.
 - i The balance of savings of Rs.135,684 of the Urban Development Authority.
 - ii The bail machine valued at Rs.770,000.
- (b) The machines and machinery purchased during the previous year had been erroneously accounted under furniture and fittings and the error had not been rectified. As such, the furniture and fittings account had been overstated by Rs.232,866.

1.3.2 Unreconciled Control Accounts

The balances of 05 items of accounts as per accounts amounted to Rs.80,894,479 whereas the balances of those accounts aggregated Rs.58,411,400 as per subsidiary registers/reports.

1.3.3 Lack of Evidence for Audit

Transactions aggregating Rs.19,607,301 could not be satisfactorily vouched in audit due to non rendition of necessary information for audit.

1.3.4 **Unsettled Accounts**

- (a) Accounts receivable amounting to Rs.3,358,259 had been continuously brought forward in the financial statements without being settled for a long time.
- (b) Action had not been taken to settle the balances aggregating Rs.12,928,750 payable to state institutions.

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.23,830,079 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.7,647,822.

2.2 **Revenue Administration**

2.2.1 **Performance in Collection of Revenue**

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

		2016				2015			
Revenue Item	Arrears of balance as at 01 January	Billing for the year	Actual recoveries	Accumulated arrears as at 31 December	Arrears of Balance as at 01 January	Billing for the year	Actual recoveries	Accumulated arrears as at 31 December	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Rates And Taxes	10,159,184	19,117,983	23,079,467	6,880,726	5,610,272	19,512,094	15,751,082	10,159,184	
Stall Rent	4,004,777	21,171,502	21,517,764	3,658,514	3,054,217	18,196,985	17,527,829	3,723,373	
Licence Fees	43,542	184,682	184,682	43,542	43,543	311,655	311,655	43,543	
Business Tax	46,915	578,000	578,000	46,915	46,915	676,500	675,500	46,915	

2.2.2 **Environmental Licence Fees**

Field inspections had not been carried out to ascertain the number of institutions required to obtain environmental licences for the year 2016. The Council had been deprived of Rs.12,000 due from 03 business establishments which had to renew their environmental licences due to the expiry of period and the sum of Rs.36,000 recoverable from 09 establishments which had not obtained their environmental licences.

2.2.3 **Stall Rent**

The lease period of 03 shops of the new trade complex had expired on 21 November 2015. In spite of this, they had been allowed to continue till 28 September 2016 without renewal of agreement.

Action had not been taken to call for tenders even by 07 February 2017, after the lessees had vacated the premises and as such the Council had been deprived of earning revenue amounting to Rs.150,500.

3. **Operating Review**

3.1 **Management Inefficiencies**

The following matters are observed.

- i The lease rent should be revised at least once in 03 years in terms of the Circular No.LGD/13/2016 of 19 November 2016 of the Commissioner of Local Government. However, such action had not been taken by the Council for the lease of stalls.
- ii Loan balances due from 03 officers who had gone on change of station transfers amounting to Rs.197,089 and loan balances of Rs.148,098 recoverable from 23 officers who had vacated posts/expired were outstanding as at 31 December 2016.

3.2 **Idle/Underutilized Assets**

A plastic crusher obtained by the Council from the Commissioner of Local Government, the value and date of receipt of which could not be identified remained idle at the garbage management yard even by 09 May 2017.

3.3 **Solid Waste Material Management**

- (a) The side boundary walls constructed at the “Kotabodawaththa” garbage yard belonging to the Council had cracks at about 3 places and as such it was observed that the community centre constructed by the Council and the Grama Niladhari office situated close to it faced the risk of being damaged and it was observed that the health conditions of the residents of the government servants’ village and the unauthorized settlers may get affected making room for infectious diseases to spread.
- (b) The Council had not efficiently utilized the Bailing machine donated to it and as such the quantity of polythene which gets collected with the garbage could not be minimized.

4. **Accountability and Good Governance**

4.1 **Internal Audit**

The internal audit programme for the year 2016 had not been furnished for audit and adequate audit had not been carried out and the reports furnished to audit.

4.2 **Budgetary Control**

Significant variances 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.

5. **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) Internal Audit