

Beruwala Urban Council

Kalutara District

1. Financial Statement

1.1 Presentation of Financial Statements

While Financial Statements for the year 2017 had been submitted to Audit on 29 March 2018, the Auditor General's Report relating to the year under review was sent to the Chairman of the Council on 05 October 2018.

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 2017 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 accounting deficiencies were observed.

- (a) Although the Library Books Account should be credited having debited the Contribution from Revenue to Capital Outlay Account, when removing the value of shortage of books from account, identified at the survey of books during the year 2012, Library Books Account had been credited having debited the Book Disposal Account. Due to that, Contribution from Revenue to Capital Outlay Account had been overstated in a sum of Rs. 46,906.
- (b) According to confirmations received from the library, value of books received as donations was Rs. 99,300. However, it had been capitalized as Rs.60,320 resulting in understatement of Library Books and Donations in a sum of Rs. 38,980.
- (c) Books had been received for the discount received amounting Rs. 46,546, when purchasing library books valued at Rs. 229,518 during the year under review. Although a sum of Rs. 276,064 being the total value should be capitalized accordingly, a sum of Rs. 229,518 only had been capitalized.
- (d) Value of goods removed according to the board of survey carried out during the year 2017 relevant to the year 2016 had not been removed from the ledger accounts.

1.3.2 Non-reconciled Accounts

Non-reconciliations amounting to Rs.3,303,849 were observed between the sum of Rs. 31,816,754 relevant to 04 items of accounts shown in the financial statements and balances shown in the relevant schedules.

1.3.3 Lack of written evidence required for audit

Seven items of accounts totaling Rs. 88,048,105 could not be satisfactorily vouched in audit due to lack of Register of Fixed Assets and schedules.

1.3.4 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with laws, rules, regulations and management decisions are shown below.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Noncompliance
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.		
i. Financial Regulation 371 (2) (c)	1,276,043	Although an advance given for a particular work should be settled immediately after completion of such work, settlement had not been made accordingly
ii. Financial Regulation 571	2,129,151	Lapsed deposits had not been taken to revenue.
iii. Financial Regulation 1647 (b)		A full survey of vehicles and tools of those belong to the Council had not been carried out
(b) Treasury Circular No. IAI/2002/02 dated 28 November 2002.		A separate Fixed Assets Register had not been maintained for computer components and software.
(c) Gazette Notification No. 1533/16 dated 25. January 2018.		Action had not been taken to identify the institutions liable to obtain environmental licenses and issue of environmental license

(d) Gazette Notification No. 1941 dated 13 November 2017 of the Democratic Socialist Republic of Sri Lanka

When granting an environmental license to a hotel, restaurant or a lodging house approved and accepted for the functions referred to in the tourist board Act No-14 of 1968 a charge up to one percent of receipts of the establishment should be recovered. however, such charges had not been recovered for, three hotels registered in the touri board

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 had been Rs.32,574,806 as compared with the corresponding excess of revenue over recurrent expenditure amounted to Rs.42,076,220 in the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

Information relating to Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year as furnished are shown below.

Source of Revenue	2017			Total Arrears as at 31 December	2016			al Arrears as at 31 December
	Estimated Revenue	Revenue Billed	Revenue Collected		Estimated Revenue	Revenue Billed	Revenue Collected	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	5,267,400	5,289,634	4,821,687	18,372,695	15,267,168	5,267,168	11,035,937	7,904,747
(ii) Rent	7,457,200	7,457,175	6,725,425	1,502,150	7,457,175	7,457,175	8,582,075	809,100
(iii) License Fees	160,000	192,750	170,000	22,750	129,750	129,750	121,750	8,000
(iv) Other Revenue	4,680,800	7,528,914	7,376,584	240,043	17,481,063	7,428,083	7,337,632	143,433

2.2.2 Performance in Revenue Collection

While overall arrears of revenue of the Pradeshiya Sabha at the beginning of the year under review was Rs. 18,865,280, billings relevant to the year amounted to Rs. 30,468,473. While receipts, write-off and adjustments during the year was Rs. 29,196,115, overall arrears of revenue was Rs. 20,137,638.

2.2.3 Rates taxes

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- (a) While the balance of rates in arrears of the Council as at 01 January 2017 amounted to Rs. 17,904,747, out of that a sum of Rs. 7,596,975 or 42 percent had been recovered during the year under review..
 - (b) While rates billing for the year had been Rs. 15,289,633, out of that a sum of Rs. 7,224,710 or 47 percent had been recovered during the year.
 - (c) While recovery of arrears of rates and rates relevant to the current year had taken a low value of 50 percent, overall recovery progress had been 45 percent.

2.2.4 License Fees

A sum of Rs. 244,935 due from 155 tax defaulted businessmen during the period from the year 2012 to 2016 had not been recovered up to the end of the year.

2.2.5 Other Revenue

While a survey of three wheeled vehicle parking places in the area of authority of the Council had not been carried out, out of arrears of charges amounting to Rs. 251,652 as at 31 December 2017 due from 43 three wheeled vehicles parked in front of the super market, a sum of Rs. 32,000 was outstanding even as at 03 September 2018.

2.3.6 Court Fines and Stamp Fees

Court Fines amounting to Rs. 193,450 and Stamp Fees amounting to Rs.15,933,198 were outstanding to be recovered from the Chief Secretary to the Provincial Council and other authorizes.

3. Operatiional Review

----- 3.1 Performance

Matters revealed with regard to fulfilling regulation and control and administration of public health ,public utility services and public thorough fares, generally with the protection and promotion of the comfort convenience and welfare of the people and amenities by the Council under Section 4 of the Urban Councils Ordinance are shown below

(a) By-laws

Although by-laws have to be imposed under Section 157 of the Urban Councils Ordinance in order to perform 15 main functions, by-laws had been imposed only for one function even up to 31 December 2017.

(b) Action Plan

While any work proposed to be performed during the year 2017 had not been included in the action plan, works expected to be performed had not been included in the annual procurement plan. While nine works included in the procurement plan had not been implemented during the year, 20 works outside the plan had been implemented.

(c) Solid Wastes Management

While expenditure amounting to Rs. 33,110,818 had been incurred by the Council, for wastes management, necessary course of action had not been taken to cover or minimize that expenditure. Garbage Tax had not been imposed to minimize the garbage cost.

(d) Sustainable Development Targets

The Council had not been aware of the agenda for Sustainable Development Targets – 2030. Due to that, long term plans for uplifting the living condition health of people in the area of authority of the Council through global index had not been prepared even as at 10 July 2018.

3.2 Management Inefficiencies

Although the validity period of the environmental license had elapsed, 03 establishments had failed to renew those. It was observed that those establishments were carrying on business without obtaining the environmental licenses.

3.3 Human Resources Management

(a) Staff Vacancies

- (i) There were vacancies as at 03 September 2018 for a post of accountant, two posts of management assistants, three posts of revenue inspectors, a post of works supervisor, three posts of drivers, a post of carpenter, a post of electrician, a post of watcher and a post of security officer.
- (ii) A Supra Grade Management Assistant had been appointed to cover the vacant post of secretary.

(b) Staff Loans

Action had not been taken even as at 31 December 2017, to recover loan balances totaling Rs. 141,127 due to be recovered from 86 officers who had vacated service, deceased or retired.

3.4 Assets Management

3.4.1 Vehicles Utilization

According to a survey of vehicles carried out by the Motor Vehicles Examiner, 13 vehicles which could be utilized after repairs and two vehicles not suitable for running had been identified. However, only 03 vehicles had been repaired and used for running, while action had not been taken for disposal of 02 vehicles not suitable for running.

3.5 Identified Losses

A sum of Rs. 29,894 had to be paid as surcharges due to the delay in sending annual reports to the Employees Trust Fund.

3.6 Procurements

3.6.1 Supplies and Services

Suppliers had been registered through paper advertisements dated 18 October 2016 for the purchase of supplies and equipment for the year under review. According to paragraph 04 of that advertisement, it had been stipulated that all supplies should be brought and handed over to a place to be specified within the area of authority of the Urban Council. However, without doing so, an officer of the Urban Council had visited the supplier and done the purchases. Due to that, an additional cost exceeding the cost of goods had to be borne by the Council for transport, fuel and overtime payments to officers.

3.6.2 Contracts Administration

Tiles Spreading in the Library Building

Although the outlay awarded for the above project was Rs. 517,974, according to the final bill, a sum of Rs. 573,622 had been paid. Due to that, an overpayment of Rs. 55,648 had been made. According to the final bill, values of items 02, 03 and 04 had exceeded estimate in percentages of 8.6, 540 and 267 respectively.

4. Accountability and Good Governance

4.1 Budgetary Control

Material variations between the budget and actual revenue in a range from 12 percent to 107 percent and actual expenditure in a range from 17 percent to 80 percent were observed, indicating that the budget had not been made use of as an effective tool of management.

5. Systems and Controls

Deficiencies observed were brought to the notice of the Council through audit queries issued from time to time. Special attention of the Sabha is needed in the following areas of controls.

System	Deficiency
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(a) Accounting	Non-maintenance of up-dated registers.
(b) Stores Control	i. Incorrect accounting of stock balances. ii Non-updating stock registers
(c) Wastes Management	Lack of proper scheme
(d) Budgetary Control	i. Material variances between the budget and actual revenue. ii. Material variances between the budget and actual expenditure.
(e) Action plan	Non-inclusion of projects to be implemented during the year.