

Seethawakapura Urban Council
Colombo District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented to audit on 26 Mach 2019 and the summary report and the Detailed Management Audit Report of the Auditor General on the financial statements had been issued to the Chairman on 09 July 2019 and 31 August 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion Section of the report, the financial statements give a true and fair view of the financial position of the Seethawakapura Urban Council as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

a. Accounting Deficiencies

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(i) The loan amount of Rs.58,213,296 payable to the Local Loans and Development Fund had not been brought to account.	All transactions relating to the period should be brought to account.	The payable loan and interest amount for Local Loans and Development Fund amounted to Rs.63,216,846. The details relating to above amount are as follows. <div style="text-align: right;">Rs.</div> Arrears of interest Bus Stand 58,213,296 Interest December 2018 642,550 Rain Water Drainage System Arrears of interest 4,272,493 Arrears of interest as at 31/12/2018 88,507

- (ii) A loan amounting to Rs.4,272,494 obtained for rain water drains from Local Loans Development Fund had been shown under current liabilities
- Should be shown under correct categorization.
- Replies not furnished.

b. Unreconciled Accounts

Audit Observation	Recommendation	Comments of the Accounting Officer												
<p>A difference of Rs.62,485,567 was observed between the balance of Local loans Development Fund account shown in the financial statements presented to audit and the balance shown in the subsidiary books/schedules</p>	<p>Action should be taken to reconcile the differences of respective balances and to correct the account.</p>	<p>This amount was formed with the loan interest as follows and it should be Rs.62,485,789.94 as per our records.</p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td></td> <td style="text-align: right;">Rs.</td> </tr> <tr> <td>Construction of bus stand</td> <td style="text-align: right;">58,213,296.64</td> </tr> <tr> <td>Rain water Drainage System</td> <td style="text-align: right;">4,272,473.30</td> </tr> <tr> <td></td> <td style="text-align: right;">-----</td> </tr> <tr> <td></td> <td style="text-align: right;">62,485,789.94</td> </tr> <tr> <td></td> <td style="text-align: right;">=====</td> </tr> </table>		Rs.	Construction of bus stand	58,213,296.64	Rain water Drainage System	4,272,473.30		-----		62,485,789.94		=====
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c. Accounts Receivable and Payable

Subject	Value	Recommendation	Comments of the Accounting Officer
(a) Advances	801,258	Action should be taken to recover receivable balances.	This balance was brought forward in the accounts since prior to the year of 2007. A sum of Rs. 200,000 had been received from the year 1989 from the Department of Local Government and that amount had been taken into the revenue without being settled the advance account. Action will be taken to correct it as per audit observation.
(b) Private bus stand water charges	230,700	Action should be taken to recover	A sum of Rs 230,700 was billed in the year 1998 of which should not be

		receivable balances.	billed and this amount has been identified as the balance which could not be recovered and it was referred to Secretary of Chief Minister to write off.
(c) Rest house Rent	195,089	Action should be taken to recover receivable balances.	This amount was an old arrear and it could not be traced from the registers and action will be taken to settle this balance in the future.
(d) Trade Stall Rent	1,211,621	Action should be taken to recover receivable balances.	Action will be taken to recover the arrears amount of Rs 1,211,621.

(d) Lack of written evidence for Audit

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Due to non-submission of the title deeds to confirm the ownership in respect of 26 lands and buildings of the Council, those could not be satisfactory vouched in audit.	Action should be taken to identify the legal ownership relating to the properties of the Council.	The committee to identify Council properties and to regularize has been appointed to take action in respect of the properties belonging to the Council and action will be taken to prepare deeds legally for the properties for which non-availability of deeds as per the reports given by the above committee.

1.4 Non-compliances

Non-compliances with Laws, Rules Regulations and Management Decisions

Reference to Laws, Rules Regulations and Management Decisions -----	Non-Compliance -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Financial Regulation of the Democratic Socialist Republic of Sri Lanka. Financial Regulation 371(5)	Action had not been taken to recover the balance of advances amounting to Rs. 801,258 brought forward since 7 years.	Action should be taken in terms of the Financial Regulations.	A sum of Rs. 200,000 was received from the Department of Local Government through the voucher No.6 in the year 1989 dated 06 January 1989 but that amount had been taken into revenue under 3.8.81 without being settled

the advance account. Action will be taken to rectify it. Accordingly the unsettled advances had been Rs.801,258.

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|-----|---|--|--|---|
| (b) | Circular of the Western Provincial Commissioner of Local Government. No LGD/08/2016 dated 11 July 2016. | Even though a committee consisting of five officers had been appointed on 4 October 2017 in respect of identifying the land and properties belonging to the Local Authorities physically and surveys through surveyors, that process had not been commenced even up to 31 December 2018. | Action should be taken in terms of the Circular and identify the properties belonging to the Council physically. | It was informed to the members of the Council to find information in respect of properties belonging to the Council on 15th March 2019. |
| (c) | Planning Circular of the Urban Development Authority No.15 dated 18 November 1993. | A Sum of Rs. 3,061,037 exists in the deposit account maintained on behalf of Urban Development Authority as at the end of the year under review had not been invested for none of the development activity. | Action should be taken in terms of the circular. | Required approval is being taken to invest the money in the bank account maintained on the name of the Urban Development Authority for the construction of Lee chart tanks in the compost yard. |

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 2018 amounted to Rs.17,280,897 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs. 17,263,911.

2.2 Revenue Administration

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

The information with regard to the estimated revenue, billed revenue, collected revenue and the arrears of revenue, furnished for the year under review and for the preceding year appears below.

Source of Revenue	2018				2019			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 Dec.	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 Dec.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	21,469,000	21,492,302	15,144,489	6,347,813	21,095,000	21,063,558	20,671,264	6,441,094
(ii) Lease Rent	36,892,300	35,739,572	31,179,463	4,560,109	29,328,800	30,764,376	31,165,161	17,229,580
(iii) License Fees	1,351,500	943,819	905,419	38,400	1,443,500	845,394	845,394	89,710
(iv) Other Revenue	30,801,500	35,862,324	18,146,402	17,715,922	30,907,200	20,701,300	30,418,236	1,864,955
Total	90,514,300	94,038,017	65,375,773	28,662,244	82,774,500	73,374,628	83,100,055	25,625,339

2.2.2 Rates and Taxes

Rates

Audit Observation

The balance of arrears of rates as at the end of the year under review amounted to Rs.6,283,342 and it included a balance of arrears for over 05 years amounting Rs.555,982 and the balance of arrears for over 3 years amounting to Rs.1,849,359 while those arrears had not been recovered up to now.

Recommendation

The rates and taxes recoverable to the Council should be recovered immediately.

Comments of the Accounting Officer

Action has been taken to recover the arrears between 3 years and 5 years by carry out mobile services and restraining orders of the properties.

2.2.3 Lease Rent

(a) Trading Places Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
Arrears of lease rent of trading places as at the end of the year under review amounted to Rs.3,245,470 while those arrears had not been recovered up to now.	The lease rent revenue recoverable should be recovered immediately.	Action is being taken to recover a sum of Rs.2,033,850 out of these arrears at present.

(b) Deed of Lease Rental

Audit Observation	Recommendation	Comments of the Accounting Officer
The arrears of deed of lease rental for over 10 years amounted to Rs.85,320 and action had not been taken to settle the above balance of arrears.	Prompt action should be taken to recover the revenue receivable.	Action is being taken to recover this arrears amount.

3. Operating Review

3.1 Performance

The matters revealed in respect of execution of activities that should be executed under Section 4 of the Urban Council Ordinance such as regularize and control over the matters of public health public, utility services and Public roads and the comfort, facilities and well being of the people are given below.

(a) By-laws

Audit Observation	Recommendation	Comments of the Accounting Officer
An income of Rs.8,570,676 had been earned from 6 revenue methods in the year 2018 without being passed and	The attention should be paid in terms of Section 153 of the Municipal Council Ordinance.	Fourteen by-laws had been embraced under the by-law passed already while a Committee of by-laws had

approved a by-law to earn additional income by the Council in terms of Section 153 of the Municipal Council Ordinance.

been appointed at present in the Council and had been identified the required by-laws and a draft is being prepared at present a draft for by-laws for town hall is being prepared now. The by-laws will be passed in future and attention will be paid for revenue methods.

(b) Solid waste Management

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
<p>The Council had not taken action so far to acquire a land portion of 05 acres from the Estate belonging to Pussellawa Plantation to establish a waste yard as per the decision of the Appeal Board No.18/0309/744/009 dated 21 March 2018 and to eliminate the risk exists in the waste rock</p>	<p>Necessary action should be taken immediately.</p>	<p>The activities of surveying the land proposed to give by the Pussalawa Plantation company for the new waste collection container had been completed and its design had been prepared and it was referred to the Department of Valuation to obtain the assessment and to the Central Environmental Authority to obtain the environmental recommendation.</p>

(c) Environmental Issues

----- Audit Observations -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
<p>Development of Infrastructure Facilities in the Wewekale Environmental Tourism Place.</p>	<p>Suitable actions should be taken immediately.</p>	<p>A sum of Rs.2,000,000 had been approved to the Council for the development of infrastructure facilities for the tourists, in the Seethawaka Wewekale environmental Tourism</p>

provide an access of sustainable development for the Community of the area, it was not implemented.

place under Provincial Grants Development Project allocated for the year 2019. The calling bids and procurement activities to select a Chartered Architect to prepare required plans are being carried out at present and further activities will be carried out during the year 2019.

(d) Sustainable Development Goals

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>According to the 2030 Agenda in respect of the Sustainable Development objectives the plans had not been prepared for the year 2018.</p>	<p>It should be implemented as per the 2030 Agenda.</p>	<p>As the training workshops has been conducted for the officers of the Local Government Institutions in the year 2018 and 2019 in respect of Sustainable Development objectives and goals, the plans for the year 2018 could not be prepared but the plans for the period from 2019 to 2023 had been prepared.</p>

3.2 Human Resources Management

Audit Observations	Recommendation	Comments of the Accounting Officer
<p>(a) Vacancies and Excesses of Staff</p> <p>The vacancies of 02 Staff level officers, 05 Secondary level officers and 11 Primary level</p>	<p>The vacancies of employees should be filled immediately.</p>	<p>It was informed to the Commissioner of Local Government (W.P) to take action to fill vacancies of the posts of Staff level and Secondary Level. One</p>

officers of the Council had not been filled upto now.

vacancy existed in the posts of primary level. It was approved to fill 10 vacancies and action is being taken to publish that vacancies in the Gazette . Further the recruitment for the vacancy of field labourer had been submitted for approval.

(b) Staff Loans

Action had not been taken in respect of the employees loan balance amounting to Rs.141,347 existed for over 10 years.

The arrears of staff loan balances should be recovered from respective debtors and sureties immediately.

A loan balance of Rs.141,341 had remained as a staff loan balance since about 20 years. Due to the matters such as vacation of posts, deaths, removal from service and station transfers of these debtors, it was confirmed that the loans could not be recovered in examination of old registers. Even though the letters had been sent to the addresses in those registers, most of the letters were returned.

3.3 Transactions of Contentious Nature

(a) Official Quarters

Audit Observations

Recommendation

Comments of the
Accounting Officer

(i) According to the Section 6.1 of the Chapter XIX of the Establishments Code, the normal rental period of the houses of the Grade 4,3 and 2 had been 05 years. But the employees

Action should be taken according to the Chapter XIX of the Establishments Code.

The agreement period of the employees occupied in the quarters belonging to the Council was completed as at 30 April 2018. But they had further occupied the quarters. Even though, it

occupied in 07 quarters belonging to the Council had dwelled in those quarters for over a period of 24 years.

(ii) It was observed at physical examination carried out that the unauthorized constructions had been made in the housing complex by the officers / employees dwelled in the official quarters, the Council had not taken any action thereon.

(iii) The monthly rental had not been recovered from July 2018 to January 2019 on cancellation of the agreement period and accordingly, a loss of Rs.137.382 had incurred by the Council.

(iv) Action had not been taken by the authorities to transfer the possession of the quarters to the Council from the officers /employees whose agreement period was completed.

(b) Unauthorized Constructions

(i) There were 24 trade stalls constructed as unauthorisedly; in the Public market complex of the Avissawella Town without the approval of

Suitable action should be taken immediately

(i) Unauthorized constructions made without the approval of the Council are being identified and action is being taken to remove those.

was referred to the Committee on finance and policy and informed them to agree for a period of 06 months, they had not agreed.

It was informed to remove the unauthorized constructions made in the quarters and to stop the businesses maintained in the premises of the quarters immediately.

The arrears of rent of the persons agreed from July 2018 to January 2019 are being recovered as installments on the requests of them.

Replies not furnished.

the Council and without being entered into agreements.

(ii) According to the plan of the super Trading complex constructed by the Council before number of years, it was planned to construct trade stalls on the concrete slab and to earn revenue. Nevertheless that process was not successful and it was observed at the physical audit examination carried out that the concrete slab constructed was outdated.

(ii) The old plan was referred to the Urban Development Authority to prepare a revised plan as suitable to new plan of the trade stalls on the concrete slab of the trading complex simultaneously to the project of the development of commercial complex of the premises of the Avissawella bus stand and environment by the Urban Development Authority. It was proposed to commence construction after obtaining new plans.

3.4 Assets Management

3.4.1 Idle/Underutilized Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Puwakpitiya Trading Complex		
Twelve trade stalls in the upper floor of the public market building in the Puwakpitiya town which commenced the constructions in the year 2015 and completed in he year 2017 by incurring an expenditure of Rs.5,949,957 had been closed and remained idle.	Suitable action should be taken immediately.	Even though, a letter had been referred to the Department of Valuation to obtain an assessment for the trade stalls the replies thereon had not been submitted. It was requested to complete the respective assessment immediately in several instances by telephone and verbally from the Department.

(b) Seethagama Nursery School

The common amenities land situated in front of the Seethagama nursery school had not been utilized for welfare activities of the community.

It should be utilized for welfare activities.

It was decided to deploy the sports equipment required for daily physical fitness exercises for children /elders and the walking paths as well. As adequate provisions were not available for above renovation activities those had been stopped half way.

(c) Construction of Kotabodawatta Community Hall

The expected benefits from the community hall building constructed by incurring the expenditure amounting to Rs.1,769,175 in the year 2016, had not been obtained and the premises of the building had become a jungle and remained decaying.

Prompt action should be taken

It was decided to give custody of it to the Public and to carry out a set of annual Programmes as well as Shramadana campaigns etc.

3.4.2 Not carrying out Maintenance and Repairs

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
There was a ridge about 15 feet which to be reconstructed and risky behind the pre-school situated in the premises of the Head Office of the Seethawakapura Urban Council and that ridge was a threaten to the safety of the pre-school children.	Safety steps should be taken immediately	There was a ridge with soil about 15 feet behind the pre-school and a request had been made to obtain provisions to construct a retaining wall for the safety of it, from the Ministry of Provincial Council in the year 2018. It is expected to obtain provisions in future.

3.4.3 Motor Vehicle Utilization

Audit Observation	Recommendation	Comments of the Accounting Officer
Eight motor vehicles belonging to the Urban Council had remained idle and decaying in the vehicle park of the Council, but a suitable action had not been taken in respect of those motor vehicles.	Prompt action should be taken	Three motor vehicles and machinery and equipment had been selected to dispose at present, and the technical reports there on had been obtained as well from Mechanical Engineer of the Avissawella Depot. In terms of the Provincial Financial Circular No.09/2015 the disposal Committee is being appointed and further action is being taken.

4. Good Governance and Accountability

4.1 Budgetary Control

Audit Observation	Recommendation	Comments of the Accounting Officer
The entire provisions totalling Rs.5,043,500 made for 51 Objects had been saved. Out of the provisions of Rs.1.952,395 made for 20 objects the provisions had been spent less than 50 per cent.	The budget should be utilized as an effective instrument of control.	Even though, the provisions had been allocated for the Objects, the provisions were saved due to not required to carry out that activities and due to non-incurring of expected amount.