

Kalutara Urban Council

Kalutara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented for audit on 29 March 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 29 July 2019 and 23 September 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Kalutara 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 the Qualified Opinion

1.3.1 Accounting Deficiencies

Audit Observation	Recommendations	Comments of the Accounting Officer
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(a) The revenue from rates and the revenue from entertainment tax for the year under review had been understated and overstated in the financial statements by Rs.1,454,967 and Rs. 1,426,362 respectively.	Should be correctly brought in to accounts.	The commission for rates being and additional credit need not to separately accounted. The error in environment tax had been adjusted in the accumulated revenues. As such, need not to be corrected.
(b) The capital expenditure and the machines and machinery of the year under review had been understated and overstated in the financial statements by Rs.444,500 and Rs.204,866 respectively.	Should be correctly brought in to accounts.	Will be correctly accounted in 2019.

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| (c) | Stationary and the Ayurvedic stock as at end of the year under review had not been shown in the financial statements. | Should be correctly brought in to accounts. | Will be correctly accounted in 2019. |
| (d) | The interest on fixed deposits at People's Bank for the year under review had been overstated by Rs.783,064. The interest on fixed deposits at the National Bank amounting to Rs.378,097 had not been shown in the financial statements. | Should be correctly brought in to accounts. | No mistake |
| (e) | Assets received as donations by the Sabha, valued at Rs. 640,820 had not been capitalized. | Should be correctly brought in to accounts. | Actions will be taken to correct by bringing to account. |

1.3.2 Lack of Necessary Documentary Evidence for Audit

Audit Observations	Recommendations	Comments of the Accounting Officer
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Four items of accounts aggregating Rs.28,538,949 could not to satisfactorily vouched in audit due to the absence of updated register of fixed assets and board of survey reports.	Evidences to confirm the balance of accounts shown in statements should be furnished.	Action will be taken to update register of fixed assets.

1.3.3 Non- Compliance

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

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non Compliances	Recommendations	Comments of the Accounting Officer
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	Rs.			
(a) Urban Councils Ordinance of 1988 (1)Section 164(2)		According to the Tourism, Development Act No 14 of 1968 one percent of the receipt of hotels for the year should be recovered.	Action should be taken to recover fees and issue trade license.	Accepted.

While increasing trade licences for hotels registered at the tourist board however two hotels were observed to be operating without trade licences.

(ii)Section 170 (2)	Distraing orders had not been issued as a final resort of recovering arears of revenue.	Prompt action should be taken to recover arrears of rates.	Accepted.	
(b) Amendments to the Entertainment Tax No 37 of 1984	Although entertainment tax should be recovered from revenue derived from entertainment or competitions, such recoveries had not been made.	Tax should be recovered from revenue obtained from entertainments.	Accepted	
(c) Gazette Notification of the Democratic Socialist Republic of Sri Lanka dated 17 November 2017	170,298	Fees for the year had been recovered for 49 notice boards exhibited with in the Kaluthara Urban Council area.	Actions should be taken to recover revenue.	Accepted
(d) Gazette Notification no 1533/16 dated 25 January 2008	-	Actions had not been taken to identify industries which should obtain environmental licences, by carrying out proper servery.	Proper survey should be carried out.	Accepted.
(e) Sections 3.1 of the Public Administration Circular No 2016/30 dated 29 December 2016	-	Consumption of fuel by 19 vehicles of the Sahba had not been carried out.	Annual consumption of all vehicles shoud be tested.	Accepted

- (f) Circular no LGD /13/2016 dated 09 November 2016 - Actions had not been taken to give the sub lessees of stalls of the Councils, the right to obtain lease of the stalls as they were carried out business activities for a long time, lease rent of the stalls had not been recovered at least once in three years. Sub leases should be offered right of obtaining the lease Accepted

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2018 amounted to Rs. 13,567,270 as compared with the excess of the revenue over recurrent expenditure of the preceding year amounting to Rs. 23,467,269.

2.2 Revenue Administration

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

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

	Source of Revenue	2018				2017			
		Estimated Revenue	Revenue Billed	Revenue Collected	Estimated Revenue	Revenue Billed	Revenue Collected	Estimated Revenue	Revenue Billed
		Rs.	Rs.		Rs.	Rs.		Rs.	Rs.
(i)	Rates and Taxes	26,363,000	31,407,662	19,342,277	23,048,163	26,780,000	31,737,119	23,035,401	18,884,608
(ii)	Rent	13,665,000	11,518,852	10,647,589	1,152,468	11,525,000	10,279,760	10,993,352	835,509
(iii)	License Fees	2,001,000	375,464	375,464	-	1,003,000	335,326	335,326	-
(iv)	Other Revenue	47,792,000	41,090,794	41,090,794	20,000,000	43,380,000	51,799,261	51,799,261	-

2.2.2 Performance in Collection of Revenue

(a) Rates and Taxes

Audit Observations	Recommendations	Comments of the Accounting Officer
(i) Out of the areas of revenue of Rs 16,035,392 as at commencement of the year under review, of sum of Rs.6,131,833 only had been recovered.	Actions should be taken to recover areas of rates.	Accepted.
(ii) Annual billings amounted to Rs.23,247,761 of which Rs.15,242,050 had been recovered during the year.	Actions should be taken to recover arias of rates.	Accepted.
(iii) The arreas of rates as at end of the year under review consisted of Rs.3,365,906 due from 1839 units over 10 years Rs.3,713,422 of 5-10 years Rs.1,393,807 of 3-5 years and Rs.5,779,253 of 1-3 years.	Actions should be taken to recover arias of rates.	Accepted.

(b) Entertatment Tax

(i) Out of the balance of Entertatment tax of Rs.2,849,216 as at commencement of the year under review 90 present amounting to Rs.2,553,886 remaing recoverable.	Actions should be taken to recover arias of rates.	Accepted.
(ii) Out of the Entertatment tax of Rs.3,747,170 billed for a year a sum Rs.1,111,441 representing 30 present remained recoverable.	Actions should be taken to recover arias of rates.	Accepted.

(c) Bussines Tax

Out of the Bussines tax of Rs.2,934,920 billed for the year, 40 present amounting to Rs.1,180,900 remained recoerable.	Actions should be taken to recover arias of rates	Accepted.
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2.2.3 Rent

----- Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
(a) Rent of trade stalls -----		
(i) Out of the balance of arrears of trade stalls of the year under review amounting to Rs.570,429 a sum of Rs.281,205 representing 49 percent remained recoverable.	Action should be taken to collect Rent of trade stalls.	Accepted.
(ii) The amount billed for the year under review amounted to Rs.6,944,110 of which Rs.6,403,435 had been recovered during the year. 8 percent amounting to Rs.540,675 remained recoverable as at the end of the year.	Action should be taken to collect Rent of trade stalls.	Accepted.
(b) Lease Rent -----		
Out of the lease rent of Rs.178,100 billed for the year under review, 41 percent amounting to Rs.72,700 remained recoverable end of the year.	Action to be taken to collect arrears of rent.	Accepted.
(c) Rest house rent -----		
The arrears of rest house rent as at commencement of the year under review Rs.300,869 and the annual billing amounted to Rs.300,869 accordingly, 43 percent amounting Rs.257,888 was recoverable as at the end of the year.	Action to be taken to recover arrears of Rest house rent.	Accepted.

2.2.4 Stamp fees

----- Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
Stamp fees of Rs.4,726,433 was recoverable from the Chief Secretary of the Provincial Council as at 31 December 2018.	Action to be taken to recover the Stamp fees of the year.	Accepted.

3 Operating Review

3.1 Performance

Audit Observations	Recommendations	Comments of the Accounting Officer
<p>(a) By-Laws</p>		
<p>Although 15 by-laws needed to be inacted for 15 main functions in terms of section 157 of the Urban council ordiances, by-laws had been inacted for 2 functions only as at 31 December 2018.</p>	<p>Action should be taken to inact by-laws for the rest.</p>	<p>Accepted.</p>
<p>(b) Action Plan</p>		
<p>The council should have prepared an action plan supervised its operations and measured its performenc. However it had identified 236 main functions costing Rs.132,775 millions under 14 main functions responsibal officers for its supervision. But a performance report to show the performance of activities during the year had not been prepared.</p>	<p>A performance report to show that action had been taken according to the action plan should be prepared.</p>	<p>Accepted.</p>
<p>(c) Solid waste metirial management</p>		
<p>(i) The Urban Council had spent Rs.48,847,455 in 2018 for garbadge management. In addition Rs.4,926,006 had been spending 2017 to procead the non-degradable garbadge accordingly. The overall expenditure of garbadge management ammounting to Rs. 53,773,461 .</p>	<p>Action should be taken to prepare correct garbadge management plan and reduce cost.</p>	<p>Accepted.</p>
<p>(ii) By-laws had not been prepared for garbadge management. Environment licence had not been obtained for the place of disposal of garbadge.</p>	<p>By-law should be prepared. Environmental licence should be obtained.</p>	<p>Accepted.</p>

- (iii) The Council had enough resources of disposal of garbage of commercial instiuts.In spite of this, the disposal of garbadge had been interasted to a private institution. By the councils dicsion 5.1.13 of 08 May 2018 at the rate of Rs.2500 per tipper load. The Sabha should be taken action to dispose garbadge. Accepted.

(d) Sustainable development target

- The Council had not taken any action for implimenting the Sustainable development target. The council should be aware of preparing Sustainable development target. Accepted.

(e) Objections of Public welfare not being fullfilled.

- The balance of 03 current accounts of the Council as at 31 December 2018 amounted to Rs.20,549,917 and Rs.78.7 million had been invested in fixed deposits. Accordingly the financial position of the Council stable. But the council had commended 19 capital projects by spending Rs.18,133,601. As a result, the Council had the ability to extend its development activities. As the Council's financial position is stable, it could uplift the welfare of the public by implementing development projects. Accepted.

3.2 Human Resourse Management

(a) Vacancies and Excesses in Cadars

Audit Observations	Recommendations	Comments of the Accounting Officer
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(i) In adition to the permanet cadre of officers had been recruited as permanant employers in terms of the Public Administration Circular No.25/2014. Action had not been taken to increase the approved cadre..	Action should be taken to increase the approved cadre.	Accepted.

(ii) The approved cadre of the Council was 314 which relates to 40 posts where as there were 274 permanent employers. Accordingly there were 42 vacancies in 18 posts .There were vacancies for the posts of Accountant and the secretary. Should act according to the circular. Accepted.

(iii) 57 field laborers and 82 security laborers had been recruited 37 of them had been assigned with field duties and 63 of them had been assigned with duties and 63 of them had beenwhile 39 of them had been assigned with other duties. Should act according to the circular. Accepted.

(b) Disciplinary Activities

The councils decision book had been missed placed in 2018. Investigations had not been carried one to identify officers responsible.

Prompt action should be taken to identify offers responsible so as to take Disciplinary Actions. Accepted.

(c) Employers Loan

The balance of employers loans due from officers who had the posts/expired amounted to Rs.566,078. Loan balances of Rs.123,295 were due from 02 officers who had retired in 2016 and 2017.

Prompt action should to taken recover the loan balances. Accepted.

(D) Employers Security Deposits

Action had not been taken to invest the Security deposits of Rs.107,564 reward from officers science 1988 in a bank account so that the officers could be benifited.

Security deposits should be invested in a bank. Accepted.

3.3 Operating Inefficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
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(a) The Council had not taken any legal action, what ever, regarding the disposal of waste water of houses being from the road leading to the Kaluthara South Dharmarama road. Theproben international street to the road adjoining the river to the common drain of the Urban Council.	Legal action should be taken.	Accepted.
(b) Action had not been taken to issue never environmental license for the 20 license, the validity period of which had expired.	New environmental license should be issued.	Accepted.
(c) Stall No. B 08 of the News Trade Complex at goods Stores Road and the stall at No. 37 lose ts the Urban Council had been partitioned for sub-letting. Action had not been taken regarding unauthorized alterations and sub – letting.	Action Should be taken regarding unauthorized alterations and sub – letting.	Accepted.
(d) The Council had not regarding the land of the Sabha given on lease to outside since 2017. The lease rent of 2 dealing with business had not reviewed since 2008 and all.	Lease rent should be revised periodically and the arrears recovered.	Accepted
(e) The lowest lease rent of Rs.75, Rs.50 and RS.30 respectively were recovered from the stall of the Council Act No. 168, A10 and A26 at the goods stores Road.	Lease rent should be revised periodically for recovery of new rent.	Accepted
(f) Agreements of Stalls No o2 and o3 of First Cross Road, Kalutara North had not been recovered 1982 and 1985	Lease agreements should be updated.	Accepted

3.4 Management Inefficiencies

	Audit Observations	Recommendations	Comments of the Accounting Officer
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(a)	The Wettumakada Pakistan Playground had not been completely fenced with nets in 2016. An access road had been constructed on the middle of the playground. As a result an exit door of 4 feet of length and 3 feet of width had been constructed damaging the net.	Safety of playground should be ensured.	Accepted
(b)	The board of survey 2017 had not been perused.	Necessary steps should be taken.	Accepted

3.5 Asset Management

3.5.1 Under Utilized Assets

	Audit Observations	Recommendations	Comments of the Accounting Officer
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	A software system for computerizing official activities had been installed in 2018 by spending Rs.4,450,000 of these 3 software system remained idle given by end of this year.	Prompt action should be taken to settle operate.	Accepted

3.5.2 Vehicles Utilization

	Audit Observations	Recommendations	Comments of the Accounting Officer
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(a)	Action had not been taken to repair or to make use of or to dispose of, 5 vehicles which were in operation.	Suitable action should be taken regarding in operation vehicles.	Accepted
(b)	Two tractors costing Rs.1390000 which were inoperative for 3 to 9 months had not been repaired and used.	Prompt action should be taken to repair.	Accepted

- (c) Four tractors and a trailer costing Rs. 2,212,000 and a micro cab were inoperative from 1 to 5 years and from October respectively. These had not been repaired by identifying their defects. Prompt action should be taken to repair. Accepted

3.5.3 Verification of Library Books

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) Verification of main library of the Urban Council and 3 sub libraries had not been carried out 2016.	Should be verified annually.	Accepted
(b) Action had not been taken regarding to the storage of 440 books. That revealed by survey in 2016	Loss should be recovered.	Accepted.
(c) Although 2312 of books which had not been computed the value in children's library had suggested to destroy according to the recommendation of survey committee in 2016. It had not been done up to June 2019.	Survey committee decision should be implemented.	Accepted.

3.6 Improper Transactins

Audit Observations	Recommendations	Comments of the Accounting Officer
Although it had been recommended to obtain an environmental license. Subject to issue a certificate of comply and license had been issued by acting against.	Action should be taken to regarding not complying with recommendation.	Accepted.

3.7 Identified losses.

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) A loss of Rs.115,250 had been occurred by stolen in 2018 in the Aurvedha Dispensary at Katukurunda.	Action should be taken to recover the loss.	Accepted.
(b) There was a storage of 8 tar barrels of Rs.134,400 as at 17 January 2019.	Disciplinary action should be taken against to the responsible person about the storage.	Accepted.

3.8 Procurement

3.8.1 Procurement Plan

Audit Observations	Recommendations	Comments of the Accounting Officer
Although the procurement plan had been prepared by Sabha, procurement plan had not been updated for the cost of Rs.32.46 millions of projects which had been approved by Sabha from March 2018.	Should be act according to the procurement plan.	Accepted.

3.8.2 Supply and Service

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) Although the thickness of the wood should be 25 mm, the thickness of the wood of furniture which had supplied to the Sabha room was 22 mm, that was not comply with specification.	Goods should be supplied according to the specification.	Accepted.

- (b) When purchasing chairs for the chairman and the members, a loss of Rs.240,100 had been incurred due to did not selected the supplier who had furnished the lowest price. Action should be taken to get profit. Accepted.
- (c) Although the tender procedure had be followed for selecting the institute for networking the office activities a loss of Rs.1,650,000 accrued Evaluation should be done through an evaluation committee. Accepted.

3.8.3 Contract Administration

Audit Observations	Recommendations	Comments of the Accounting Officer
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(a) 04 contracts of Rs.8.12 million had been awarded to contract society without considering the qualification were selecting a contract direct contract method for awarding contract.	When awarding contact to the contract society, qualification should be check.	The contracts were awarded by talking financial strength of society, ability of such information from the society.
(b) Development Of Duwa Temple Road By Laying Tar		

Although cost estimate of Rs.2.97 million had been prepared for the development of Duwa temple road by laying tar under direct Laboure, the material and labour classification estimates had not been prepared and approved.	Should be prepared a material and labour classification.	Estimate prepared and approved.