

Kuliyapitiya Urban Council

Kurunegala District

01. Financial Statements

1:1 Presentation of Financial Statements

The financial statements of the year under review had been presented to audit on 30 March 2012 and the financial statements for the preceding year had been presented on 11 April 2011. The report of the Auditor General for the year was issued to the Chairman of the Sabha on 12 September 2012.

1:2 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Kuliyapitiya Urban Council had maintained proper accounting records for the year ended 31 December 2011 and except for the effects on the financial statements of the matters referred to in my report issued to the Chairman, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Kuliyapitiya Urban Council as at 31 December 2011 and the financial results of its operations for the year than ended.

1:3 Comments on Financial Statements

1:3:1 Accounting Deficiencies

The following observations are made.

- (a) Two loan installments amounting to Rs. 1,092,496 relating to the year under review in respect of the loan obtained for the development of the bus stand had not been paid and it had not been disclosed in the accounts.
- (b) According to the confirmation of balances of the Asian Development Bank, a loan balance of Rs. 4,651,346 was payable to them as at end of the year under review in respect of the loan obtained for the construction of the shopping complex. But, this had not been disclosed in the accounts.
- (c) Although a sum of Rs. 7,819,862 had been shown as stamp fees receivable as at end of the year under review, the outstanding stamp fees amounted to Rs.975,970 for the year 2009 and a sum of Rs. 2,768,601 for the year 2010 totalling Rs.3,744,571. Accordingly, due to over-billing for the said years, a fictitious revenue debtor balance of Rs. 4,075,291 had been arisen.

1.3.2 Lack of Evidence for Audit

Non – submission of Information for Audit

Transactions valued at Rs. 29,975,331 could not be satisfactorily vouched in audit due to the non - submission of required information to audit.

2. Financial and Operating Review

2:1 Financial Result

According to the financial statements presented, the excess of revenue over the recurrent expenditure of the Council for the year ended 31 December 2011 amounted to Rs.25,387,723 as compared with the excess of revenue over recurrent expenditure amounting to Rs.20,779,564 for the preceding year.

2:2 Financial Control

The following deficiencies of financial control were observed.

- (a) Deposits on water services estimates amounting to Rs. 1,004,056 is shown under refundable deposits as at end of the year under review. The said deposits obtained for as providing water supply connections to the customers had not been refunded after the respective work has been completed and preparation of works reports. instead, these deposits had been brought forward for over a number of years.
- (b) There were 04 cheques valued at Rs. 18,000 issued but not presented for payment. in respect of a bank account.

2:3 Revenue Administration

2:3:1 Estimated Revenue, Actual Revenue and Arrears of Revenue

The information on the estimated revenue, the actual revenue and the arrears of revenue for the year under review and the preceding year presented by the Chairman is given below.

| Item of Revenue | Estimated | Actual | Cumulative Arrears as at 31 December |
|---------------------|-----------|----------|---|
| ----- | ----- | ----- | ----- |
| | Rs. '000 | Rs. '000 | Rs. '000 |
| (i) Rates and Taxes | 15,148 | 9,435 | 9,842 |
| (ii) Lease Rents | 9,560 | 5,656 | 633 |
| (iii) Licence Fees | 12,155 | 12,022 | 258 |
| (iv) Other Revenue | 47,321 | 20,425 | 9,623 |

2.3.2 Court Fines and Stamp Fees

Money receivable as at 31 December 2011 from the Chief Secretary of the Provincial Council and other authorities are shown below.

| | Rs. |
|-----------------|-----------|
| (i) Court Fines | 45,750 |
| (ii) Stamp Fees | 1,897,970 |

2.3.3 Recovery of Rates

Rates amounting to Rs. 5,846,323 had been outstanding as at end of the year under review and a sample check of this revealed that the outstanding rates include a balance of Rs. 174,554 relating to 18 instances under 2 streets and the dues had been within range of 07-21 quarters. Action had not been taken to recover these dues in terms of section 170 of the Urban Council ordinance (255) by issuing warrants and retraining property.

2.3.4 Water Charges

Water charges amounting to Rs. 70,263 in respect of 18 balances had been outstanding for periods 11 to 41 months with regard to police quarters Hettipola Kurunegala Road and a sum of Rs. 12,193 had been due from customers whose water supply was disconnected totalled Rs.82,456. Further, there was an arrears of water charges amounted to Rs.2,208,561 as at end of the year under review. But action had not been taken to recover outstanding amounts in not been taken to recover outstanding amounts in terms of the agreements.

2.3.5 Entertainment Taxes

Entertainment taxes outstanding as at end of the year under review amounted to Rs. 1,787,260 and the amount billed for the year was Rs. 735,917.

2.4 Human Resources Management

The post of Secretary, which is a post of the Administrative Service has been vacant and an officer of the Sapra Grade of the Management Service had been assigned to cover the duties. Although the approved cadre for the posts of Laboures, Watchers, Drivers etc. was 60, There were 52 employees in the permanent service and 70 substitute and casual employees obtaining salaries from the Sabha, as at end of the year under review.

2.5 Contract Administration

The following observations are made.

- (a) A culvert and a drain had been constructed across the road near Visake Lane and the Dandagamuwa service station at an expense of Rs. 344,720

during the year under review. As the water was not properly drain through the drains constructed in higher places to the drain and the culvert it was proved at the site inspection carried out on 18 October 2011 that the expected purpose had not been achieved.

- (b) Although an agreement had been sign on 15 September 2011 at a value of Rs. 311,805 for the construction of drains of the balance part of the Sapumal Mawatha, it had been abandoned due to the disruptions of the neighbourers.

2.6 Operating Inefficiencies

The following observations are made.

- (a) The employees loan balances amounting to Rs. 208,596 outstanding as at end of the year under review. Included a loan balance of Rs. 27,137 due from an officer went on transfer during the year 2000 and it had not been recovered. However, his pension gratuity also had been released as at end of the year under review.
- (b) According to the financial statements presented, the lands and buildings owned by the Council had not been disclosed, and a register of land and buildings too had not been maintained. Further, a survey on land and buildings had not been done regularly and the ownership of such property had not been assured.
- (c) Four hundred and fifty four books valued at Rs. 52,706 had not been made available at the verification of goods of the Kuliypitiya Library for the year 2010, and the recommendations thereon of the Board of survey had not been implemented even as at 15 July 2012. Similarly respective action had not been taken on 333 units of 72 categories of goods which had been recommend to dispose of according to the Board of Survey Reports.

- (d) The contributions payable to the Local Government Pensions Fund by the council in respect of the employees had not been properly paid. Therefore, the balance payable to the said fund as at end of the year under review amounted to Rs. 6,423,048.

2.7 Performance

The following observations are made.

- (a) According to the budget of the Council for the year under review 21 projects costing Rs. 11,945,000 had been planned to carry out But none of them had been done during the year under review. There were 14 Kilometers Road Network and a 34 kilometers drain system within the area of authority of the council of this 9 kilometers road network and 12 kilometers drain system had been maintained. The completion reports relating to the above work had not been prepared even as at end of the year under review.
- (b) There was no corporate plan for the Council and no action plan for the year under review.

2.8 Internal Audit

Although an Audit and Management Committee had been appointed for the year under review an, adequate internal audit of the institution had not been carried out under the internal audit programme.

3. Systems and Controls

Special attention is needed in respect of the following areas of systems and controls.

- (a) Accounting
- (b) Financial Control
- (c) Revenue Administration
- (d) Assets Management
- (e) Contract Administration.