

Peliyagoda Urban Council

Gampaha District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements of the year under review had been presented to audit on 28 February 2012 and the financial statements for the preceding year had been presented on 01 April 2011. The report of the Auditor general for the year under review was issued to the Chairman of the Council on 20 December 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 Peliyagoda 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 Peliyagoda Urban Council as at 31 December 2011 and the financial results of its operations and cash flow statements for the year than ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following observations are made.

- (a) An unidentified creditors balance of Rs. 23,757,429 relating to the previous years had been written –off against the accumulated fund during the year under review. The above balance included an identified creditor balance of Rs. 6,318,466 as well.

- (b) Although the balance of the loan (Gully Bowser Loan) payable to the Local Loans and Development Fund as at end of the year under review amounted to Rs.1,002,172 it had been brought to account as Rs. 996,279.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the excess of recurrent expenditure over revenue of the Council for the year ended 31 December 2011 amounted to Rs.5,555,731 as against the excess of revenue over recurrent expenditure amounting to Rs. 18,967,376 for the preceding year.

2.2 Unreconciled Control Accounts

- (i) The balance as per employees loans control account was Rs. 15,245,095 whilst the balance as per employees loans register was Rs. 14,872,509 indicating a difference of Rs. 373,086
- (ii) The registers of creditors, debtors, deposits, pre-payments and revenue had not been balanced and therefore the balances shown in the said registers could not be compared with the balances shown in the accounts.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue, actual revenue and the arrears of revenue in respect of the year under review as presented by the Chairman is shown below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i) Rates and Taxes	38,500	28,206	23,023
(ii) Lease Rent	2,219	2,020	789
(iii) Licence Fees	1,856	1,511	1,691
(iv) Other Revenue	20,844	5,399	78

2.3.2 Recovery of Revenue in Arrears

Action had not been taken in terms of Section 170(a)(2) of the Urban Council Ordinance (Chapter 255) to recover rates amounting to rs. 23,022,562 lease rent amounting to Rs. 788,600 and licence fees amounting to Rs. 1,690,704 due as at end of the year under review.

2.3.3 Stall Rent

Income from lease rent in arrears from 33 stalls as at 30 September 2011 amounted to Rs.109,463. Although the period outstanding was more than 03 years, action had not been taken in terms of Section 12 of the lease agreement to recover the rent or to remove the lessee.

2.4 Non-moving Current Assets

- (a) Share certificates valued at Rs. 1,288,930 issued by the Ceylon Electricity Board remained non-moving for over 04 years as at 31 December 2011 even without any dividends.
- (b) The total of the employees loan balances recoverable as at 31 December 2011 amounted to Rs. 15,245,094 and it included a balance of Rs. 280,708 remained unrecovered for over a long period.

2.5 Irregular Transactions

An officer of the Management Assistant – Class I had been appointed to act on the vacant post of Management Assistant – Supra Class of the Council. Although acting salary payable to him should be according to 12:5:2 of Chapter VII of the Establishments Code, payments had been made according to 12.5.4 of Chapter VII of the Establishment Code resulting in an over-payment of Rs. 60,690

2.6 Transactions Not Supported By Adequate Authority

The unidentified creditors balance of Rs. 23,751,430 relating to a period prior to year 2010 had been written-off by charging to accumulated fund without any approval.

3. Systems and Controls

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

- (a) Accounting
- (b) Internal Audit
- (c) Revenue Administration.
- (d) Assets Management