

Kadugannawa Urban Council

Kandy District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 30 March 2015 while Financial Statements relating to the preceding year had been submitted on 25 March 2014. The Auditor General's Report relating to the year under review was issued to the Secretary of the Council on 10 August 2015.

1.2 Opinion

In my opinion except for the effect on the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Kadugannawa Urban Council as at 31 December 2014 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 are observed.

- (a) The value of 07 items of Office Equipment amounting to Rs.114,913 purchased during the year under review had not been accounted.
- (b) The balance of Trade Licenses in arrears amounting to Rs.18,500 at the end of the year had been credited to that account and it had been debited to the Court Fines in Arrears. Due to that, Court Fines in arrears had been overstated to that extent, but an arrears had not been shown in the Trade Licenses in Arrears Account.

1.3.2 Non-reconciled Control Accounts

While the balance relevant to 02 items of accounts according to control accounts had been Rs.761,933, according to schedules, the total of those accounts had been Rs.721,958 and a non-reconciliation in a sum of Rs.39,975 was observed.

1.3.3 Accounts Receivable

While the total value of Accounts Receivable as at 31 December 2014 was Rs.2,437,489, out of that the total of balances that had been outstanding over 01 year was Rs.480,950.

1.3.4 Accounts Payable

While out of the total value of Accounts Payable amounting to Rs.17,309,065 as at 31 December 2014, a sum of Rs.17,279,545 had been Expense Creditors, out of that, total of balances that had been outstanding over 01 year was Rs.2,298,801.

1.3.5 Lack of Evidence for Audit

Three Items of Accounts valued at Rs.335,365 could not be satisfactorily vouched in audit due to non- rendition of information required in audit.

1.3.6 Non-compliance with Laws, Rules and Regulations etc.

Following instances of non-compliance with laws, rules, regulations etc. were observed.

Reference to laws, rules, regulations etc.,	Non-compliance
(a) Central Province Financial Rules Code Paragraph 261.2.2	Advances granted during the year under review totaling Rs.49,607 in 04 instances had not been settled even as at 25 June 2015.
(b) Financial Regulations of the Republic of Sri Lanka	
(i) F.R.571 (2)	Provisions in the Financial Regulations had not been followed with regard to 59 time lapsed deposits valued at Rs.97,641.
(ii) F.R. 396	Action in terms of provisions in the the Financial Regulations had not been taken with regard to 11 cheques valued at Rs.106,024 not presented for payment.
(c) Circular No. CPC/CS/06/06/02 dated 11 April 2003 of the Chief Secretary of the Central Province	Action had not been taken to obtain staff security amounting to Rs.42,500 from 10 officers engaged in service of the Council.
(d) Treasury Circular No. IAI/2002/02 dated 28 November 2002.	Action had not been taken to maintain a separate register for computers.

2. Financial and Operating Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2014 amounted to Rs.4,979,594 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.9,789,243. Accordingly, a decline in a sum of Rs.4,809,649 was observed in the financial results.

2.2 Revenue Administration

2.2.1 Rates

- (a) Although the balance of Rates in arrears according to financial statements prepared as at the end of the year under review was 6,203,984, according to information furnished to audit, balance of Rates in arrears was Rs.6,209,715 and a non-reconciliation in a sum of Rs.5,731 was observed.
- (b) While there was a balance of Rates in arrears amounting Rs.5,191,876 at the beginning of the year under review, billings during the year had been Rs.8,193,126. Percentage of recovery during the year had been 48 per cent and 57 per cent respectively. Action in terms of Section 170(2) of the Urban Councils Ordinance had not been taken to recover the balance of Rs.6,209,715 as at 31 December 2014.

2.2.2 Lease Rent

- (a) Action had not been taken to recover a sum of Rs.252,856 due to be recovered from Kadugannawa Weekly Fair since the year 2008.
- (b) While there was an Arrears Rent amounting to Rs.225,952 of 24 stalls during a time range from 01 month to 07 years as at the end of year under review, action in terms of agreements had not been taken to recover these arrears rent.

2.2.3 Court Fines and Stamp Fees

Court Fines amounting to Rs.169,658 and Stamp Fees amounting to Rs.1,253,550 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2014.

2.2.4 Other Revenue

One per cent charge in terms of provision in Section 164(2) of the Urban Councils Ordinance (Chapter 255) had not been recovered from 04 hotels / restaurants in the area of authority of the Council for the year 2014.

2.2.5 Advertisements Board Charges

- i. Although a charge of Rs.100 should be recovered per square foot of a permanent advertisements board as per directions in the Gazette Notification No.1892 dated 05 December 2014 of the Republic of Sri Lanka, action had not been taken to recover a sum totaling Rs.876,300 from 56 advertisements boards established in the area of authority of the Council. Although a charge of Rs.50 should be recovered per square foot of a banner displayed, action had not been taken to recover a sum totaling Rs.3,500 from 05 banners established in the area of authority of the Council.
- ii. A high downfall of advertisements revenue and number of boards were observed during the year 2015 when compared with those for the years 2013 and 2014.

2.2.6 Entertainment Tax

Although the entrance tickets issued for film shows in the Seetha Cinema Hall in operation in the area of authority of the Council should be sealed in terms of the Entertainment Tax Ordinance, it was observed at the inspection carried out on 23 June 2015 that entrance tickets are issued without being sealed accordingly.

3. Operating Review

3.1 Management Inefficiencies

While collection of money from the users of the public latrine under the control of the Council situated in the Kadugannawa city had been assigned to a sanitary laborer, daily collections such as Rs.300, Rs.400, Rs.500 had been paid to the Council. However, a proper system had not been followed with regard to collection of money and remittance.

3.2 Idle and Under-utilized Assets

While construction works of the newly constructed latrine complex and bath rooms at an expenditure of Rs.992,447 behind the stadium in the Kadugannawa Play Ground had been stopped half way during the year 2014, those places had been made un-cleaned due to that. It was observed that those places had been utilized for taking liquor, smoking and other various nefarious activities.

3.3 Contracts Administration

- (a) Development of Pilimalawa Weekly Fair Ground- Stage 2
Amount Spent Rs.592,615
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Following matters were revealed at the physical inspection carried out on 23 June 2015 with regard to this work.

- (i). Although the weekly fairground should be concreted with the mixture of cement, sand and metal in the ratio of 1:2:4(3/4"), while that ratio had not been applied, low quality mixture of a standard which could be breakable with hand had been used.
- (ii) Although it had been estimated to concrete to the extent of 100' x 34' x 4" and 25' x 8' x 4", when 05 places of the part constructed was inspected after breaking, except a part of 2/81' x 8'x 4", The balance parts had been constructed to a thickness of 1.4 inches and 1.8 inches. Although the concrete mixture of the parts so constructed had been weak, work had been inappropriately certified and, a sum of Rs.342,219 had been paid during December 2014 for 7.48 concrete cubes which were not in conformity to the standard.

(b) Development of Kadugannawa Weekly Fair Amount Spent Rs.1,858,027

Following matters were revealed at the physical inspection carried out on 23 June 2015 with regard to this work.

- i. Although it had been estimated to concrete with a mixture of 1 ;2:4(3/4) with cement, sand and metal to a thickness of 4",when concreting the bottom of the drain under item 06 of the work relating to Development of Kadugannawa Weekly Fair, when few places were broken and examined, it was found that substandard concrete which could be breakable with hand had been used and concrete had not been laid in some places. As measurement sheets had not been submitted having examined these works correctly, a sum of Rs.33,732 had been paid for work not performed to the extent of (141'-8' x 1'-8" x 4")0.77 cubes.
- ii. Although payments had been made for concreting the drains under item 06 having estimated to a length of 141'-- 8", at the physical inspection it was found that only 134' had been constructed. Accordingly, a sum of Rs.4,380 had been overpaid for work not performed to the extent of 7 feet 08 inches.
- iii. At the physical inspection carried out on 23 June 2015, after breaking about 05 places of the concrete layer constructed with the mixture of 1:2 1/2 : 5 (1") under item 08, it was observed that it had been constructed with substandard concrete mixture which could be broken with hand and the thickness of that had been 02 inches. A sum of Rs.521,686 had been paid for 5.39 cubes constructed which was not in conformity with the estimated standard.

- (c) Construction and Development of Latrine Complex in the Kadugannawa Public Play Ground - Amount Spent Rs.992,447

While the latrine complex had been heavily un-cleaned due to lack of doors, floor tiles laid on the floor had been damaged and broken. Water had been leaked into the latrine rooms from the walls behind the latrine complex. While a sum of Rs.992,447 had been spent for the latrine complex, it was revealed at the physical inspection carried out on 23 June 2015 that the latrine complex had been allowed to get destroyed making it impossible to use due to incomplete work stopped halfway.

- (d) It was observed that technical methods are not used by the Urban Council when fulfilling contract works, especially such as concrete works. Such systems had not been introduced and a proper supervision is not carried out by the Urban Council in that connection.

3.4 Human Resources Management

When approved cadre of the Urban Council is compared with the actual cadre as at 31 May 2015, there were 10 vacancies.

4. Accountability and Good Governance

4.1 Corporate Plan

A Corporate Plan of the Council had not been prepared during the year under review.

4.2 Procurements

A Procurement Plan had not been prepared during the year under review by the Council.

4.3. Action Plan

An Action Plan had not been prepared during the year under review by the Council.

4.4 Internal Audit

An adequate internal audit had not been carried out in the Council during the year under review.

4.5 Budgetary Control

It was observed according to the budget prepared for the year under review, that the budget had not been made use of as an effective tool of management as there were variations from 53 per cent to 84 percent in 02 items of revenue and variations from 16 per cent to 70 per cent in 04 items of expenditure, when the estimated revenue and expenditure are compared with the actual revenue and expenditure.

5. Systems and Controls

Special attention of the council is needed in the following areas of controls.

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

