

Nawalapitiya 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 27 March 2015 while Financial Statements relating to the preceding year had been submitted on 26 March 2014. The Auditor General's Report relating to the year under review was issued to the Secretary of the Council on 14 July 2015.

1.2 Opinion

In my opinion financial statements give a true and fair view of the financial position of the Nawalapitiya Urban Council as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with generally accepted accounting principles.

1.3 Comments on Financial Statements

1.3.1 Accounts Receivable

While the value of 03 Accounts Receivable balances as at 31 December 2014 was Rs.63,687,046, out of that value of balances that had been outstanding over 01 year was Rs.17,574,594.

1.3.2 Accounts Payable

While the value of 04 Accounts Payable balances as at 31 December 2014 was Rs.67,007,173, out of that value of balances that had been outstanding over 01 year was Rs.15,355,421

1.3.6 Non-compliance with Laws, Rules and Regulations

Following instances of non-compliance with laws, rules, regulations and management decisions were observed.

Reference to laws, rules, regulations and management decisions and Non-compliance

 (a) Urban Councils Ordinance Section 159 (f)

 A sum Rs.50,000 had been spent for entertainment works of the function held in the Occasion of Ramadan Festival, without approval of the Minister.

(b) Financial Regulations of the Republic of Sri Lanka

i . Financial Regulation 372 (b)

Although an advance obtained for a particular work should be settled immediately after completion of the relevant work, advances amounting to, Rs.33,400,712 granted in 22, instances relevant to a period between 01 and 06 years had not been settled as at 31 December of the year under review.

ii. Financial Regulation 756

A survey of vehicles belong to the Council had not been carried out during the year under review.

2. Financial 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.5,801,779 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.12,376,377. Accordingly, a decline in a sum of Rs.6,574,598 was observed in the financial results.

2.2 Analytical Financial Review

While a decline of Rs.6,574,598 was observed in the financial result when the surplus for the year under review is compared with that for the preceding year, a decrease in a percentage from 10 per cent to 30 per cent in 02 items of revenue and increase in a percentage from 07 per cent to 31 per cent in 03 items of expenditure had been the reasons for that.

2.3 Working Capital Management

It was observed that the current ratio was not in a favorable level as it was at a lower level such as 1.7.1, when current liabilities are compared with the total current assets. While 53 percent of Current Assets had been Revenue Debtors, 68 percent of Current Liabilities had been Work Creditors.

2.4 Revenue Administration

2.4.1 Rates

Following matters are observed.

- (a) While the balance of Rates in Arrears as at 31 December 2014 was Rs.12,670,523, out of this, a sum of Rs.4,110,440 was due to be recovered from the Railway Department.
- (b) Although the properties in the area of authority of the Council should be assessed once in 05 years and Rates should be recovered accordingly, Rates had been recovered during the year 2014 according to the assessment of the year 2009 as well. Substantial revenue had been lost to the Council due to non-revision of Rates during the year 2014, as there had been a speedy development of the City of Nawalapitiya.
- (c) Although 106 building applications had been approved by the Council during the period from the year 2011 to 2014, certificates of conformity had been issued only for 10 buildings. Due to that a large sum of Rates due from new constructions had been lost to the Council after the year 2009.

2.4.2 Lease Rent

- (a) Although the monthly rent of stalls in the Nawalapitiya Bus Stand should be assessed once in three years, a monthly rent of Rs.1,500 was being recovered since the year 2009.
- (b) While rent of 03 stalls out of 05 new stalls in the Gampola Road had not been billed, a sum of Rs.197,200 was in arrears as at 31 December 2015.
- (c) While the restaurant in the Jayathilake Stadium had been given to a sports club without calling for quotations and signing an agreement, a sum of Rs.101,510 was in arrears as at 31 December 2014.

2.4.3 Publicity Advertisements Boards

A sum of Rs.707,338 to be recovered on account of 183 Publicity Advertisements Boards for the year under review had not been recovered.

2.4.4 Other Revenue

While the restaurant of the Jayathilake Stadium Hostel had been given to an individual without calling for quotations, a sum of Rs.20 per meal to be recovered from the occupant. While there was no proper register with regard to number of meals provided or supervision of the Council, there was an arrears sum of Rs.12,000 as at 31 December 2014.

2.4.5 Land Tax

While 16 blocks of land belong to the Council had been lease out, those lease amounts had not been assessed after the year 2008. While only two lessees out of these lessees had paid lease money amounting to Rs.2,880 for the year 2014, monies had not been recovered from the balance lessees. Accordingly, the total amount due to the Council as at 31 December 2014 was Rs.281,876.

3. Operating Review

3.1 Contracts Administration

Purification waste water

- (a) A sum of Rs.104,000 had been paid on 17 January 2014, out of an estimated sum of Rs.260,000 submitted by a lecturer in Environmental Science of the Peradeniya University for fixing a methodology for releasing waste water getting accumulated in the Nawalapitiya Environmental Protection Centre, through pipes to a bio-recycling machine and releasing to the wet land in the environment after specified storage time. The progress of the relevant works was at a level of 10 per cent, as at 30 March 2015, date of audit.
- (b) Construction of the Proposed Four Storied Shopping Complex
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While the assistance of an architect had been obtained for making amendments to the plan submitted by the Urban Development Authority for the Proposed New Shopping Complex in the place where the old Town Hall is situated, tender too had been awarded without transparency. Although an advance of Rs.1,000,000 had been paid to the relevant architect accordingly, the plan submitted had not been in conformity with the plans and building regulations of the Urban Development Authority and therefore it had not been possible to commence the Project even as at 20 March 2015. Under such situation, a total sum 2,060,824 as Rs.1,006,720 during the year 2013 and a sum of Rs.1,054,104 during the year 2014 had been spent respectively for preliminary works.

3.2 Identified Losses

An agreement had been entered into for the construction of a public latrine complex near the Nawalapitiya Bus Stand during the year 2002; cash bond too had been signed. However, the agreement had been cancelled by the Council without giving any justifiable reasons after undertaking to perform the work. The contractor had taken legal action. Due to these reasons, a sum of Rs.268,300 had to be paid as legal fees for the case from the year 2005 to the judgement given year 2014, while a sum of Rs.719,065 too had to be paid to the plaintiff according to the judgment of the case.

3.3 Transactions of Contentious Nature

A sum of Rs.860,000 had been spent out of the Council Fund as at 31 December 2014 for the cases filed during the year 2011 by the Council against 08 traders who had been involved in unauthorized vegetable trade. Although the assistance of a lawyer had been obtained having paid a high lawyers fee of Rs.40,000 for each term of these cases, these cases had not been over even as at 31 December 2014.

3.4 Solid Waste Management

A sum of Rs.389,950 was due to be recovered to the Council as at 31 December 2014 from an establishment to which compost fertilizer are sold under the Solid Waste Management Project of the Council.

4. Accountability and Good Governance

4.1 Corporate Plan

A Corporate Plan had not been prepared by the Council.

4.2 Procurements Plan

Although capital expenditure amounting to Rs.61,272,668 had been incurred, a Procurement Plan had not been prepared by the Council for the year under review.

4.3 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 20 per cent to 34 percent in 03 items of revenue and variations from 12 per cent to 45 per cent in 05 items of expenditure, when the estimated revenue and expenditure are compared with the actual revenue and expenditure.

4.4 Internal Audit

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

4.5 Audit and Management Committees

Audit and Management Committees had not been conducted during the year under review by the Council.

5. Systems and Controls

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

- (a) Accounting
- (b) Internal Audit
- (c) Budgetary Control
- (d) Revenue Administration
- (e) Contracts Administration.