

Wattegama 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 31 March 2015 while Financial Statements relating to the preceding year had been submitted on 31 March 2014. The Auditor General's Report relating to the year under review was issued to the Secretary of the Council on 27 July 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 Wattegama 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 150 Galvanized Pipes (GI) amounting to Rs.166,072 received from the Ministry of Local Government and Provincial Councils during the year under review had not been accounted.
- (b) The value of 150 compost bins amounting to Rs.90,000 made available to sell on subsidize basis had been shown under Accounts Receivable as Capital Grants in Arrears.
- (c) The balance of the Suspense Account amounting to Rs.173,516 which had been brought forward during the preceding year had been written off to the Accumulated Fund during the year under review without being specifically identified.

1.3.2 Accounts Receivable

While the total value of 09 Accounts Receivable balances as at 31 December 2014 was Rs.16,790,882, out of the balances that had been outstanding over 01 year totaling Rs.6,698,170, a sum of Rs.2,979,896 remained outstanding to be recovered even as at 30 June 2015.

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.9,680,007 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.1,403,806. Accordingly, an improvement in a sum of Rs.8,276,201 was observed in the financial results.

2.2 Financial Control

While the current account maintained in the Wategama Bank of Ceylon had not been used for transactions since April 2013, the cash balance of Rs.177,915 in that account had been kept idle.

2.3 Revenue Administration

2.3.1 Rates

Following matters are observed.

- (a) While there was a balance of Rates in arrears amounting Rs.2,351,469 as at 31 December of the year under review, the total balance of defaulters in payment for more than a period between 01 and 11 years included therein had been Rs.742,192.
- (b) A balance of Rates amounting to Rs.299,671 was in arrears for more than a period between 01 and 12 years from 06 Government Institutions.

2.3.2 Stalls Rent

Following matters are observed.

- (a) While the balance of Stalls Rent in arrears as at 31 December of the year under review was Rs.131,578, Stalls Rent in arrears for more than one year included therein was Rs.40,020.

- (b) Out of the 58 stalls in the Public Market Building, 07 stalls had been kept closed since the date of opening of the building. Legal agreements had not been entered between 05 lessees of stalls of the Public Market and the Council.
- (c) Although the lease money had been continuously paid by 04 lessees in the upstairs of the building belongs to the Council where Kandurata Development Bank is situated, it had been kept continuously without business activities being carried on, as the basic amenities had been at a minimum level.

2.3.3 Water Charges

Following matters are observed.

- (a) While Water Charges to be recovered as at the date of ending of the year under review was Rs.2,945,707, out of that, the amount in arrears for a period ranging from 01 to 06 years was Rs.636,972. A Proper procedure had not been followed to recover Water Charges by taking action in terms of provisions in the agreement connected with the water Charges.
- (b) While Water Meters had not been fixed for the two Water Projects called Mangala Giri Kanda and Punchi Mola, the water charges had been recovered from the water consumers at rates such as Rs.200, Rs.300 and Rs.350, and therefore recovery of charges according to the consumption of water had been prevented.

2.3.4 Court Fines and Stamp Fees

While Court Fines and Stamp Fees amounting to Rs.1,623,937 was receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2014. Out of that, Court Fees amounting to Rs.232,263 had not been collected even as at 30 June 2015.

2.3.5 Environmental Permit Fees

Environmental Permits to be obtained for 12 business enterprises in terms of Section 23 of the National Environmental Act No. 47 of 1980 as amended by Act No. 56 of 1988 and Act No. 53 of 2000 and as per Extraordinary Gazette Notification No. 1533/16 dated 25 January 2008 had not been issued. Due to that, revenue of Rs.48,000 had been lost to the Council.

3. Operating Review

3.1 Human Resources Management

When the approved cadre of the Council for the year under review is compared with the actual, there were 09 vacancies.

3.2 Idle and Under-utilized Assets

Following matters are observed.

- (a) Although a Foton Dating Truck on 19 December 2014 and a Foton Crew Cab on 06 February 2015 had been provided by the Ministry of Public Administration, Provincial Councils, Local Government and Democratic Governance under distribution of basic machinery required for the maintenance units of the Local Government Institutions, these vehicles had been parked in the Council premises without being used.
- (b) Six categories of assets valued at more than Rs.1,520,000 remained idle and under-utilized during a period between 04 and 12 years, as at the end of the year under review.
- (c) The Art Forum conducted in the Council for a long period of time in order to provide a welfare service to the children in the area of authority of the Council had been defunct since the year 2014 and musical instruments valued at Rs.193,500 approximately had remained idle due to that.
- (d) 1193 Units of Stocks belong to 35 categories of items valued at Rs.43,863 remained idle without being issued in the stores,during a period of more than 01 to 07 years.

3.3 Un-authorized Transactions

An Environmental Fund had been built up by utilizing funds amounting to Rs.278,350 provided for the Waste Bins Projects during the preceding year and the year under review by the Ministry of Local Government and the Provincial Councils.

3.4 Contracts Administration

Following matters are observed.

- (a) Construction of the Old Town Hall Library Building - Amount Spent
Rs.1,000,000

 - i. Floor Tiles had been fixed to the extent of 6 x 6.6 under item 12 of the building constructed in the size of 12 x 6.6 meters, without floor tiles being fixed to the balance half. Due to that, the building had not been used for any purpose.
 - ii. A part of the wire net in size of m. 1.5 x m.2.00 of the old concrete roof and the balance parts of wires left opened upwards of the columns of the concrete slab had not been painted with any anticorrosive paint and due to that, it had been allowed to get corroded.

iii. Without approval of the institutions such as the Department of Agrarian Services, the Environment Authority and the Urban Development Authority and non-compliance with rules and regulations introduced by those institutions and the provisions in the Urban Councils Ordinance, this building had been constructed on the ground amid of a main canal way.

(b) A Half Completed Building in the Urban Council Ground - Amount Spent Rs.461,619

Construction of a building had been commenced to a height of 08 feet with 27 columns of 01 foot having concreted the foundation to a length of 80 feet and to a width of 20 feet for parking vehicles in the Urban Council Ground by spending a sum of Rs.461,619 during the year 2008. However, the work had been stopped thereafter.

(c) Central Part of the Balahela Road - Amount Spent 242,589

Although the road should be concreted with cement mixture of 1:2 1/2:5 according to the estimate, it was observed when few places of the road was examined after breaking on 25 February 2015, that substandard concrete mixture which could be easily broken with hand had been used and that the road had been cracked across in one place.

(d) Fixing Inter connected Concrete Stones - Area of Authority of the Urban Council - Amount Spent Rs.449,720.

i. Although the retaining wall constructed on the two sides of the part of road fixed with concrete stones should be built to a height of 09 inches according to the estimate, at the inspection of few places carried out on 25 February 2015, it was found that the height had been 04 inches.

ii. Although the retaining walls should be constructed utilizing concrete with 1:2:4 (mm 20) mixture, at the inspection of few places after breaking, it was found that the substandard concrete mixture which could be breakable with hand had been utilized. A sum of Rs.58,995 had been spent for 2.7 cubic concrete meters for planks, sand and metal including transport expenses for this work.

(e) Fixing Inter connected Concrete Stones - Nuwarathanna Road Amount Spent Rs.411,611.

i. Although the curb walls on two sides of the road fixed with inter connected concrete stones should be constructed to height of 09 inches, when few places were examined on 25 February 2015, the height had been 3 1/2, 4 and 5 inches.

ii. Although the curb walls should be constructed 1:2:4(20mm) concrete mixture, when few places were examined, sub standard concrete mixture which could be

easily broken with hand had been used. However, a sum of Rs.25,802 had been paid for that as per estimate.

(f) **Repairing Damaged Places in the Atala Gahagoda Road - Amount Spent Rs.57,100**

i. This road constructed by tarring after spreading metal had been damaged in number of places. It was observed at the inspection carried out on 25 February 2015 that the road had been haphazardly repaired using direct labor of the Council, by applying concrete without squaring the places properly.

ii. it would have been suitable to spread metal and tar for repairing the damaged places, as the road had been already tarred after spreading metal. However, the technology of applying concrete for those damaged parts was not clarified in audit. It was observed on 25 February 2015, the date of audit, that some places so improperly concreted had been cracked and damaged.

(g) Although the contracting party should prepare bills and submit measurement sheets relevant to the constructions, contrary to that, a procedure of preparation of bills by the officers in charge of supervision and technical officers and submitting those by officers themselves had been followed.

3.5 Solid Waste Management

Waste collected in the area of authority of the Council had been dumped into a land belongs to the Council.

3.6 Improper Transactions

A sum of Rs.26,875 had to be overpaid in calling for quotations for the purchase of sheets for distribution among the low income group beneficiaries.

3.7 Staff Loans

Action had not been taken to recover a loan of Rs. 27,200 due from a Clerical Officer who had been in service of the Urban Council and left on transfer to Kundasale Pradeshiya Sabha and vacated service during the year 2003.

4. Accountability and Good Governance

4.1 Corporate Plan

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

4.2 Procurement Plan

Although capital expenditure amounting to Rs.19,627,768 had been incurred during the year under review, a Procurement Plan had not been prepared for the year under review by the Council

4.3 Internal Audit

Following matters are observed.

- (a) An adequate internal audit had not been carried out in the Council during the year under review.
- (b) The post of Environment Officer and the waste management activities too had been assigned to the officer assigned with duties relating to internal audit. Accordingly, it was observed that there was no possibility in performing duties relating to internal audit independently.
- (c) Although day to day transactions of the Council should be examined and audit reports should be submitted to assist the management, any internal audit report had not been issued during the year under review.

4.4 Budgetary Control

- (a) 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 17 per cent to 81 percent in 05 items of revenue and variations from 11 per cent to 74 per cent in 07 items of expenditure, when the estimated revenue and expenditure are compared with the actual revenue and expenditure.
- (b) It had been failed to earn Budgeted Revenue amounting to Rs.20,595,000 for 02 Revenue Heads.

5. Systems and Controls

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

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