

Peliyagoda Urban Council
Gampaha District

1. Financial Statements

1.1. Presentation of Financial Statements

The financial statements for the year under review had been presented for audit on 30 March 2016 and the financial statements for the preceding year had been presented on 07 April 2015. The report of the Auditor General for the year under review was issued to the Secretary of the Council on 04 June 2016.

1.2. Qualified Opinion

Except for the effects on the financial statements of the matters referred to in Paragraph 1.3 of this report, I am of opinion that the financial statements have been prepared in accordance with the 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 2015 and the financial result of its operations for the year then ended.

1.3. Comments on Financial Statements

1.3.1. Accounting Deficiencies

The following deficiencies are observed.

- (a) A sum of Rs.625,000 received from the Road Development Authority on 31 December 2015, in respect of acquisition of properties had been credited to the Council Funds in the year 2016. But this had not been shown as receivable in the accounts of the year under review.
- (b) The revenue from licence fees of Peliyagoda fish market amounting to Rs.154,000 had not been billed. Therefore the revenue had been understated.
- (c) The provisions had not been made for creditors in respect of 16 works valued at Rs.5,410,622, for which the contracts had been signed during the year 2015.
- (d) Provisions for creditors had not been made in respect of the audit fees payable for the year under review.
- (e) The capital aid for 02 works, amounting to Rs.1,163,477 received from the Provincial Council during the year under review had not been shown in accounts as capital aid receivable.
- (f) The capital aid amounting to Rs.3,966,656, shown under revenue debtors receivable, was a non-receivable asset. Therefore it was a fictitious asset.
- (g) The loan balance in respect of the Backhoe Loader acquired on credit basis during the year under review amounting to Rs.7,704,962; the amount borne by the Council Funds in respect of the machine amounting to Rs.2,270,000; and the loan balance payable in respect of the Motor Cab

obtained in a previous year amounting to Rs.353,136; totaled to a balance of Rs.10,328,098. This total balance had been understated in motor vehicles account and the revenue contribution to capital outlay account.

(h)The value of motor vehicles and carts amounting to Rs.26,891,063, received as donations, had been debited to the aid contribution to capital outlay account through the Journal Entry 31, instead of crediting it to the capital aid received account and debiting to the capital expenditure account. Due to this, the aid contribution to capital outlay account had become set-off. Therefore an aid contribution to capital outlay account is not disclosed in the balance sheet, whilst the capital expenditure account in the revenue and expenditure account also had been understated.

1.3.2. Un-reconciled Control Accounts

According to the control accounts, the total balances in respect of 06 items of accounts as at 31 December 2015 amounted to Rs.73,130,434, and according to the relevant subsidiary registers the total balances had been Rs.46,354,622. Therefore a difference of Rs.26,775,812 existed.

1.3.3. Accounts Receivable and Payable

The following matters are observed.

(a) The total balances of employees loans recoverable as at 31 December 2015 amounted to Rs.14,027,671 and, this included a balance amounting to Rs.777,870 which had not been recovered from 45 officers for a long period of time.

(b)Adjustment account for rates and taxes receivable account amounting to Rs.5,400 shown in the balance sheet as at 31 December 2015, had been carrying forward for several years. But action had not been taken to settle this.

(c) The salary advance account amounting to Rs.5,000 shown as receivable in the balance sheet as at 31 December 2015, had been carrying forward for several years. But action had not been taken to settle this as well.

1.3.4. Lack of Evidence for Audit

(a) Transactions totalling to Rs.62,965,648 with relevant to 08 items of accounts could not be vouched satisfactorily during the audit, due to non-submission of documentary evidences, to the audit.

(b) Though the balance of stock at stores was Rs.5,474,575 according to the accounts as at 31 December 2015, a schedule showing the balance in the stores ledger accounts as at the same date had not been submitted

1.3.5. Non-compliance with Laws, Rules, Regulations and Management Decisions

The following instances of non-compliance with Laws, Rules, Regulations and Management Decisions were observed during the Audit.

(a) According to the Section 170(1), 170(2) of the Urban Council Ordinance (Chapter 255), it is the duty of the Secretary to recover the lease rent and fines and take action to credit them to the Council funds. But actions had not been taken to confiscate the property, to recover the rates and

taxes in arrears amounting to Rs.31,613,338, whilst action had also not been taken to recover the revenue in arrears amounting to Rs.1,084,955.

(b) Action had not been taken in accordance with the Financial Regulation 189 and 486 of the Republic of Sri Lanka to recover the value of dishonoured cheques amounting to Rs.192,716.

(c) According to the Secretary of Ministry of Public Administration Circular No. 9/2007(v) dated 19 May 2007, the post of Public Health Inspector is entitled the other privileges. But, while computation of the allowance of 1/20 entitled to him, the payments should be made based on his salary as at the date of the retirement which amounted to Rs.21,180. But a sum of Rs.16,066 had been over paid as holiday pay, contrary to the said circular.

2. Financial Review

2.1. Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2015 amounted to Rs.9,946,112 as compared with the excess of revenue over recurrent expenditure amounting Rs.10,732,401 for the preceding year.

2.2. Revenue Administration

2.2.1. Estimated Revenue, Actual Revenue and Revenue in Arrears

The information submitted by the Secretary with respect to the Estimated Revenue, Actual Revenue and Revenue in Arrears relevant to the year under review are indicated below.

Description	Estimated	Actual	Cumulative Arrears as at 31 December
	Rs.000,	Rs.000,	Rs.000,
Rates and Taxes	44,550	39,838	31,613
Lease Rent	2,267	2,581	658
Licence Fees	879	1,294	427
Other Revenue	17,655	11,577	16,640
Total	65,351	55,290	49,338

The revenue billed for the year under review amounted to Rs.55,290,000, whilst the revenue in arrears as at the end of the year had been Rs.49,338,000, which is 89% of the revenue billed.

3. Operating Review

3.1. Performance

07 activities incorporated in the annual action plan submitted by the Urban Council had not been implemented, whilst 04 had been only half completed, and 01 had been completed only up to 25%.

3.2. Management Inefficiencies

The cheque for the value of Rs.149,210 received on 31 January 2013, in respect of the rates and taxes had been dishonoured, whilst a discount amounting to Rs.16,579 had been allowed in respect of this, and the Council had not taken action to recover the discount even as at the end of the year under review.

3.3. Operating Inefficiencies

The following matters are observed.

- (a) The Council had purchased a Backhoe Loader at a cost of Rs.11,350,000, and out of this Rs.9,080,000 had been incurred by Local Loans and Development Fund, whilst the balance amount had been incurred from the Council Funds. The Ministry of Public Administration Local Government and Democratic Governance had provided another Backhoe Loader on 02 July 2015 under the distribution of primary machinery and equipment necessary for the maintenance units of Local Authorities. During the year 2015, a sum of Rs.1,048,080 had been paid to private sector for obtaining the services to level the piled-up waste.
- (b) The Gulley Bowser had been provided to the members and the staff of the Council, free of charge on 18 instances, whilst the evidences were not presented to confirm this.
- (c) Though a sum of Rs.562,830 had been spent for repair work in respect of two vehicle accidents, the investigations which should be conducted in accordance with to the F.R. 104(1) of Financial Regulations of the Republic of Sri Lanka, had not been carried out.

3.4. Solid-Waste Management

The Commissioner of Local Government (Western Province) letter No.LGD/05/08/General/Volume dated 21 December 2010, stipulates that all local authorities should implement the stated Rules, in the “Solid-Waste Management Rules” No. 01 of 2008, which had been published in the Gazette Notifications No.1560/6 dated 30 July 2008 by the Chief Minister of Western Province. But the Council had not taken action to recover the fees by implementing the Rule Nos. 09, 18(1), 20, 22, 54 and 59.

4. Systems and Controls

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

- a) Accounting
- b) Budgetary Control
- c) Internal Audit
- d) Controlling of Revenue
- e) Assets Management