

Gampola 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 03 March 2016 while Financial Statements relating to the preceding year had been submitted on 30 March 2015. The Auditor General's Report relating to the year under review was issued to the Secretary of the Council on 20 June 2016.

1.2 Qualified 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 Gampola Urban Council as at 31 December 2015 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

Though the defendant was released from the case filed to recover the outstanding charges from Public Toilet for Rs. 106,268 with relate to the year 2004, that amount had still been shown in the financial statements.

1.3.2 Non-reconciled Control Accounts

The balance of Staff Loans account was Rs. 17,123,189 and it was Rs. 14,548,103 according to Staff Loan register hence there was a non-reconciliation of Rs. 2,575,086.

1.3.3 Accounts Receivable

While the total value of Accounts Receivable balances as at 31 December 2015 was Rs. 13,807,044, out of that the value of account balances that had been outstanding over 01 year was Rs.10,737,280.

1.3.4 Accounts Payable

While the total value of 04 Accounts Payable balances as at 31 December 2015 was Rs. 12,296,424, out of that, the value of account balances that had been outstanding over 01 year was Rs. 11,117,729.

1.3.5 Lack of Evidence for Audit

No confirmation had been received in audit that, it would truly be received the amount shown in the financial Statements as receivables balance of Rs. 44,682,119 from Ceylon Electricity Board for more than 05 years

1.3.6 Non-compliance with Laws, Rules and Regulations

Following instances of non-compliance were observed.

Reference to laws, rules and regulations	Non-compliance
(a) Financial Regulations of the Republic of Sri Lanka 571	Time lapsed deposits for more than 02 years amounting to Rs. 1,781,000 deposited in 163 instances had not been cleared.
(b) Circular No. 1980/46 of Commissioner of Local Authorities dated 31 December 1980	The rent assessment of the stalls belonging to the Council had not been done for once in 05 years.
(c) Clause 4 of Chapter xxiv in Establishments Code of the Republic of Sri Lanka	Staff Loans of Rs. 109,594 recoverable from 04 retired/deceased or suspended officers had not been recovered.
(d) Public Administration Circular No. 9/2009(1) dated on 17 June 2009	The present Secretary who reported to the Council on 13 February 2015 had not been confirmed the arrivals and departures up to December 2015 through the finger print machine of the Council.

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 2015 amounted to Rs. 50,951,836 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 34,563,421. Accordingly, an improvement in a sum of Rs. 16,388,415 was observed in the financial results.

2.2 Analytical Financial Review

- (a) Increase in 05 Revenue items from 4.8percent to 200 percent and decrease in 04 expenditure items from 8 percent to 80 percent had been the main reasons for the improvement of financial result in Rs. 16,388,415.
- (b) Although a sum of Rs. 78,879,358 had been received as salary reimbursements during the year under review, a sum of Rs. 98,420,731 had been paid as salaries and allowances. Accordingly, it was observed that a sum of Rs. 19,541,373 was spent for payment of salaries of the Council employees, and that amount had been 23 per cent from the self-innovation income of the Council.

2.3 Revenue Administration

2.3.1 Performance in Revenue Collection

Information furnished by the Secretary relating to Estimated Revenue, Actual Revenue and Arrears of Revenue for the year under review and the previous year are shown below.

Item of Revenue	Arrears as	Revenue billed	Revenue Collected		Total arrears to be collected
	at 01.01.2015	during the year	Out of Arrears as at 01 01 2015	Out of Amount billed during the year 2015	
	Rs.	Rs.	Rs.	Rs.	Rs.
Rates	40,513,360	33,400,039	9,799,907	16,047,600	48,065,892
License Fees	-	618,483	-	618,483	-
Rent (Stalls and Housing)	8,893,496	9,700,177	1,664,358	6,298,476	10,630,839
Others (Council Land Leasing)	1,361,268	555,281	950,432	234,932	731,185

					59,427,916
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The total revenue balance of Rs. 59,427,916 was in arrears as at the end of the year under review.

2.3.2 Rates

Following matters are observed.

- The outstanding at the opening of the year under review was Rs. 40,513,360 and the recoveries during the year were 24 percent. Recoveries from the billing for the year were 48 percent and the total rates in arrears as at 31 December were Rs. 48 million.
- Even though 4 Revenue inspectors, three Distrain Officers and Revenue Collector in commission basis were recruited in the Council, arrears of Rs. 48 million were remained as at the end of the year.
- While action in terms of Section 170 of the Urban Councils Ordinance had not been taken to recover Rates in arrears for Rs. 48 million brought forward from many years.
- Although the properties should be assessed once in 05 years, Rates had been recovered during the year 2015 according to the assessment based on the year 2008. Substantial revenue had been lost to the Council due to non-revision of Rates, as there had been a speedy development in the area of authority from the year 2008 by now.

2.3.3 Lease Rent

Following matters are observed.

- Lawyers Complex constructed in the land of the Council had been leased out for 10 years and the approval of the Chief Minister in this regard had not been taken. The Rent receivable as at 31 December 2015 was Rs. 43,000. The actions should be taken

in the instances where delaying or defaulting of Room Rent payments had not been mentioned in the Agreements.

- (b) As per the agreement, though a fine of 1 percent should be charged when delaying the payment of monthly lease rent of 02 Beef stalls in Public Market and Beef Stall at Kahatapitiya, the Fine amount had not been charged for the outstanding as at 31 December 2015.
- (c) Two Mutton Stalls in Public Market had been leased out through Tenders and an outstanding of Rs. 451,573 was remained as at 31 December. Actions had not been taken in this regard in terms of the agreements.
- (d) Two Chicken Stalls in Public Market had been leased out through Tenders and it had not been engaged with an agreement with Lessees. An outstanding of Rs. 1,085,102 was remained as at 31 December.

2.3.4 Land Lease

Small lease rents were being collected from most of lands as the assessment of lands had not been carried out from more than 10 years.

2.3.5 Business Tax

Business Tax of Rs. 174,164 with regard to the year had not been recovered from business institutions in the area of authority of the Urban Council even as at 25 March 2016.

2.3.6 Publicity Advertisements Boards Charges

While a formal survey had not been carried out with regard to Publicity Advertisements Boards, and a register had not been maintained in this regard.

2.3.7 Environmental Permits

According to the Extra Ordinary Gazette Notification No. 1533/16 dated 25 January 2008, issued by the Minister of Environmental and Natural Resources under the regulations of the National Environmental Act No. 47 of 1980 amended from acts No. 56 of 1988 and No. 53 of 2000, though the permits obtained should be renewed after 03 year, revenue of Rs. 134,400 had been lost to the Council due to the non-issuing of permits to 30 business enterprises by conducting follow up actions.

2.3.8 Court Fines and Stamp Fees

Court Fines amounting to Rs. 608,580 and Stamp Fees amounting to Rs. 20,000,000 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2015.

3. Operating Review

3.1 Management Inefficiencies

While 35 excess employees had been confirmed for more than the approved cadre of the Council, a sum of Rs. 3,937,484 had been paid by engaging 12 casual employees from January to December 2015.

3.2 Solid Waste Management

Approximately 20 tons of wastes were gathered in the area of the authority of the Council and the relevant measures had not been prepared for waste management. The collected wastes had

been dumped into Bio Diversity Complex at Ambuluwawa and covered with soil application in time to time. A Court case has been heard in the Magistrate Court at Mawanella and it was observed that public protests are also held in time to time.

4. Accountability and Good Governance

4.1 Procurements Plan

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

4.2 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 21 per cent to 276 per cent in 04 items of revenue and variations from 46 per cent to 82 per cent in 07 items of expenditure, when the estimated revenue and expenditure are compared with the actual revenue and expenditure. As compared with the budget registers prepared for the year 2014 and the expenditure registers, most of expenditure votes had been provided excess allocations. Therefore the expenditure for the year had been decreased more than 50 percent of the budgeted amount.

4.3 Internal Audit

An adequate internal audit had not been carried out in the Institute during the year under review in terms of Financial Regulation 133 of the Republic of Sri Lanka and the Circular No. DMA/2009/01 dated 09 June 2009 of the Management Audit Department.

4.4 Assets Management

Idle / Under-utilized Assets

It was observed that 03 items of assets valued at Rs. 630,220 had remained idle and under-utilized during a period between 3 to 6 years, as at the end of the year under review.

5. Systems and Controls

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

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