

**Nawalapitiya Urban Council**

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**Kandy District**  
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**1. Financial Statements**

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**1.1 Presentation of Financial Statements**

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Financial Statements for the year under review had been submitted to the Audit on 31 March 2016 while Financial Statements relating to the preceding year had been submitted on 27 March 2015 and 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**

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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 Nawalapitiya 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**

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**1.3.1 Accounts Receivable**

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While the value of 04 Accounts Receivable balances as at 31 December 2015 was Rs. 27,369,710, out of that value of balances that had been outstanding over 01 year was Rs. 26,007,513.

**1.3.2 Accounts Payable**

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While the total value of 03 Accounts Payable balances as at 31 December 2015 was Rs. 15,190,558, out of that, the value of account balances that had been outstanding over 01 year was Rs. 13,321,641.

**1.3.3 Non-compliance with Laws, Rules and Regulations**

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Following instances of non-compliance were observed

**Reference to laws, rules and regulations etc.**

**Non-compliance**

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| (a) Clause 4 of Chapter xxiv in Establishments Code of the Republic of Sri Lanka | A sum of Rs. 111,312 receivable from 13 retired officers and a sum of Rs. 319,488 receivable from 16 officers who vacated of posts had not been recovered. |

- (b) Financial Regulations of the Republic of Sri Lanka

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571 (3)

Time lapsed deposits amounting to Rs. 119,705 deposited in 14 instances had not been cleared.

## 2. Financial Review

### 2.1 Financial Results

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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. 14,165,013 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 5,801,779. Accordingly, an improvement in a sum of Rs. 8,363,234 was observed in the financial results.

### 2.2 Revenue Administration

#### 2.2.1 Performance in Revenue Collection

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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 at 01.01.2015	Recoveries out of arrears as at 31.12.2015	Billings during the year 2015	Recoveries out of billings for the year	Total Arrears
	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	12,670,524	3,521,808	13,013,291	8,707,218	13,454,789
Rent	4,569,920	3,028,510	13,702,371	12,627,787	2,615,994
Other	871,782	49,300	156,300	63,000	915,782
<b>Total</b>					<b>16,986,565</b>
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The total revenue balance of Rs. 16,986,565 was in arrears as at the end of the year under review.

#### 2.2.2 Rates

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Following matters are observed.

- Recoveries from outstanding during the year were Rs. 3,521,808 or 27 per cent.
- Recoveries from billing were Rs. 8,707,218 or 66 per cent.
- 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 2015 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

2015, as there had been a speedy development of the City of Nawalapitiya after the year 2009.

### **2.2.3 Other Revenue**

#### **(a) Leasing of Meet Shops**

When leasing of two beef stalls and the mutton stall of the Council in the year 2015, a minimum loss of Rs. 3,300,000 had been occurred due to reducing of the minimum tender amount accepted in 2014 by Rs. 3,300,000 without having a fair reason.

#### **(b) Leasing of Toilets**

Public Toilet System in Supper Market Complex had been leased out to Traders' Association of the Supper Market Complex and a sum of Rs. 75,145 receivable from August 2105 to 31 December had not been recovered even as at the date of 08 March 2016.

#### **(c) Parking Fees**

##### **(i) Three Wheelers**

Over 600 Three Wheelers had been registered in 18 Three Wheel Parking places in the in the area of authority of the Council and a charge of Rs. 1,070,442 had not been recovered as at 31 December 2015.

##### **(ii) Vans**

Approximately 40 Vans in 04 Van Parking places in the City had been default the payment of Parking Fees for more than 06 months and a fee of Rs. 528,849 had remained outstanding as at 31 December 2015.

##### **(iii) Lorries**

Out of the 32 Lorries registered in 04 Lorry Parking places, 22 had default the payment for more than 03 months and an outstanding of Rs. 157,964 were remained as at 31 December 2015. Actions had not been taken to recover those outstanding revenue in terms of the paragraph 170 (a) of the Municipal Council Ordinance.

#### **(d) Leasing of Restaurant at Jayathilaka Stadium**

The Restaurant had been given to a Sports Council for 2012 – 2015 without following tender procedures and without binding with an agreement, and an outstanding of Rs. 222,310 was remained as at 31 December 2015.

**(e) Entertainment Tax**

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It was revealed in test check that tickets which was issued and remained to issue in 02 Cinemas at Nawalapitiya City had not been stamped, and no supervision had been made by the Council with regard to the recovery of Entertainment Tax.

**(f) Land Lease**

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Actions had not been taken to recover the outstanding amount of Rs. 360,581 from leased out lands and these rents were remained outstanding for more than 06 months.

**(g) Water Charges**

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Water Charges receivable as at 31 December 2015 was amounting to Rs. 914,482 and out of them, it was observed that a sum of Rs. 752,492 was not recovered due to mistaken billing made in 40 customers from more than 03 years.

**2.2.4 Lease Rent**

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Receivable amount of Rs. 2,210,726 was outstanding as at 31 December 2015 from leased out of stalls belonging to the Council and actions had not been taken to recover the outstanding lease rent in terms of the agreements.

**2.2.5 Court Fines and Stamp Fees**

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Court Fines amounting to Rs. 286,456 and Stamp Fees amounting to Rs. 3,963,340 had to be received as at 31 December 2015.

**3. Operating Review**

**3.1 Management Inefficiencies**

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Following matters are observed.

- (a) A sum of Rs. 522,855 Interest Receivable with regard to the Property Loans during the years 2011- 2014 period had not been reimbursed.
- (b) Even though a sum of Rs.1,000,000 had been spent for ground works of the proposed New Market Complex in the premises of old building of the Council, activities of the project had not been implemented even as at April 2016.
- (c) As per the article 36 (e) II of the Municipal Council Ordinance, though the lessor should be selected with the prior approval of the line Minister and also following the tender procedure, Fertilizer Sales Outlet and Milk Bar of the Council had been given on long term lease based on Council decisions without getting the prior approval of the line Minister.

**3.2 Improper Transactions**

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As per the Cabinet Decision on 11 February 2015, foreign travels by using government funds had been suspended. While it had been informed to use the funds belongs to those Institutions for the betterment of the people in the region, three Members of the Council had been paid a sum of Rs. 480,000 by Rs. 160,000 each in improper manor out of Council funds on 12 May 2015 to participate for a workshop on Waste Management and Disaster Management conducted in China from 08 May 2015 up to the 13. The money spent could not be beneficial to the Council as the Council was prorogued in 15 May 2015.

#### **4. Good Governance and Accountability**

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##### **4.1 Corporate Plan**

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A Corporate Plan had not been prepared from the March onward in the year under review.

##### **4.2 Budgetary Control**

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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 26 per cent to 33 per cent in 02 items of revenue and variations from 21 per cent to 68 per cent in 05 items of expenditure, when the estimated revenue and expenditure are compared with the actual revenue and expenditure.

##### **4.3 Annual Procurements Plan**

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An Annual Procurement Plan in terms of Sub Chapter 4:2 of the Government Procurement Guidelines had not been prepared.

##### **4.4 Internal Audit**

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An adequate internal audit had not been carried out in the Council 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.

##### **4.5 Assets Management**

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###### **Idle Assets**

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Two vehicles valued at Rs. 2,702,250 and old building of the Council had been idle for more than 02 years.

#### **5. Systems and Controls**

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

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