

Gampola Urban Council
Kandy District

01 Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 29 March 2017 while Financial Statements relating to the preceding year had been submitted on 30 March 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 2016 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 observations are made.

- (a) The interest amount of Rs.1,187,398 that had to receive for the fixed deposits for the year under review had not been accounted.
- (b) While it had not continued the project of Ambuluwawa Green Lane to the year 2017, an amount of Rs.2,098,130 had been over stated on the financial statements as creditor and debtors.
- (c) A receivable three wheeler parking charges amount of Rs. 681,573 related to the year under review had not been taken to the revenue of the year and for the arrears revenue.
- (d) Prepaid amount for store creditors and for the suppliers had been under stated by an amount of Rs.193,745.
- (e) Two tractor trailers that owned to the Sabha with the value of Rs.519,800 had not been accounted.
- (f) Although the accumulated cumulated fund balance was amounted to Rs.95,300,300 at the end of the year, it had been understated by Rs.71,500 hence cumulated fund balance had accounted as Rs.95,228,800.

- (g) Although the industrial debtor balance of the project of walkway lane of the city of Gampola was amounted to Rs.676, 898, it had over accounted by an amount of Rs.84,742 hence it had stated as Rs.761,640 on the financial statements.

1.3.2 Non- Reconciled Control Accounts

A mismatch of Rs.9,072,877 had been revealed between the total balance of Rs.169,268,245 related to 06 accounts which had shown on financial statements and the balances of subsidiary documents.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

While the total balance of accounts receivable as at 31 December of the year under review amounted to Rs.122,208,607, a balance that had elapsed 01 year, amounting to Rs. 115,916,010 had been included therein.

(b) Accounts Payable

While the total balance of accounts payable as at 31 December of the year under review amounted to Rs.18,370,876 , the balances that had elapsed 01 year, amounting to Rs. 10,748,430 had been included therein.

1.3.4 Lack of Documentary Evidence for the Audit

Transaction totalling Rs. 47,767,329 could not be satisfactorily vouched in audit due to non-submission of required information to the audit.

1.3.5 Non Compliance with Laws, Rules, Regulations etc.

Following instances of non-compliance with laws, rules and regulations were observed during the audit.

| Reference to the Laws, Rules and Regulations | Non Compliance |
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| ----- | ----- |
| (a) Financial Regulations of Democratic Socialist Republic of Sri Lanka | |
| ----- | |
| (i) FR 104 | A complete report had not been presented relating to an accident that occurred to the vehicle of the Sabha. |
| (ii) FR 189 | Although the 29 cheques had worth of Rs.569,500 that received in the years of 2004 and 2013 had returned, any actions had not been taken in this regard. |

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| <p>(b) Section 3.5 of the circular no.RD/1/4/5/43 of secretary of the President about the Government Land Management dated on 03 February 2010 and section 36(e)(ii) of urban council act</p> | <p>While the opportunity had given to dispose the lands on the decisions of the council, those lands had been leased out without a government assessment.</p> |
| <p>(c) National Environmental act no.53 of 2000 and no.56 of 1988 and The Gazette no.1533/16 of the Democratic Socialist Republic of Sri Lanka dated on 25 January 2008</p> | <p>Action had not been taken to take the environmental license from 13 business entities.</p> |

2 Financial Review

2.1 Financial Results

According to the Financial Statement presented, excess of revenue over recurrent expenditures of the Sabha for the year ended 31 December 2016 amounted to Rs.52,130,179, as compared with the corresponding amount in excess of revenue over recurrent expenditure for the preceding year amounted to Rs.50,951,836 . When compared with the preceding year, an increase of Rs. 1,117,834 was observed in the Financial Results for the year under review.

2.2 Analytical Financial Review

Increases of rental income of Rs.6,924,632 , other income of Rs.19,741,856 and increases of transport relation expenditures of Rs.3,289,149 and expenditures on interest of Rs.5,772,307 had been basically influenced for the increase of Rs.1,117,834 of the financial result.

2.3 Working Capital Management

The ratio between total current assets and total current liabilities was 6.5:1 and 6.6:6 in the year under review and the preceding year respectively.

2.4 Revenue Administration

2.4.1 Rates

Following Matters are Observed.

- (a) While the balance of arrears rates was amounted to Rs. 48,011,842 as at the beginning of the year under review, only the sum of Rs.14,908,427 had been recovered there of. This was a percentage of 31 percent from the total arrears amount. While the charges from the billed amount of the year under review were a percentage of 65 percent, the total arrears rates amounted to Rs.44,311,339 as at 31 December.

- (b) Although the arrears of the rates was bringing forward from several years, actions had not been taken regarding recover the arrears rates in accordance with statement 170 of the Urban Council act.
- (c) Although the property of the Sabha should be assessed once in 5 years, the rates had charged also in the year 2016 on the assessment of the year 2008. Although the area of authority of the Sabha had been vastly improved since the year 2008 to present, a receivable income had been deprived due to the assessment of property are not renewing.

2.4.2 Lease Rent

While the balance of rental was amounted to Rs. 12,309,348 as at the beginning of year under review, only the sum of Rs.3,076,520 had been recovered there of. This was a percentage of 24 percent from the total arrears amount. While the balance of arrears rental was amounted to Rs.10,578,459 as at 31 December of year under review, an amount of Rs. 8,138,223 that had elapsed 1 to 5 years was included therein.

2.4.3 Other Income

(a) Entertainment Taxes

Actions had not been taken to recover an entertainment tax amount of Rs.17,925 that bringing forward from several years.

(b) Rest House Fees

While the arrears rest house fee balance as at 31 December of the year under review was amounted to Rs.1,039,357, a balance of Rs.13,889 that had brought forward before one year had included therein.

(c) Common Toilet Fees

While the common toilet fees that had brought forward from several years were amounted to Rs.1,373,457, any action had not been taken to clear that amount.

2.4.4 Court Fines and Stamp Fees

A sum of Rs.2,511,263 of court fines and a sum of Rs. 39,927,854 of stamp fees were due to be recovered as at 31 December of the year under review, from the Chief Secretary of The Provincial Council and other Authorities.

3 Operating Review

3.1 Performance Evaluation

Following Matters are Observed.

- (a) There are 166 shops in the Common Market Complex. While 48 shops from them had not able to rent out even though it had passed 10 years from build, 118 stalls that had rent out had been closed from the year 2006 continuing any business activities.
- (b) Although increase of the common utility services of the peoples who living the area of authority of the Sabha is should be a main function of the Sabha, the special attention of the Sabha had not been given for the affairs of cleaning the channel system, remove garbage and maintain the city clean.

3.2 Management Inefficiencies

Following Matters are Observed.

- (a) Actions had not been taken to recover a receivable amount of Rs.42,063,401 should be received for the properties that had assigned to the Electricity Board from several years ago.
- (b) Although Widows'/Widowers orphans' Contributions amount of Rs.188,179 had paid as advance on 10 February 2016, this amount had not been reimbursed by the Department of Pensions.
- (c) Loan instalments and interest amount of Rs.361,485 that had charged from officers who have been transferred had been retained on accounts more than one year without taking actions to pay.
- (d) The approval had received for construct a shopping complex in the Gampola city by a cabinet memorandum, leased had given to a private company on 24 December 1998 to construct the stalls in the reserved land of Railway away from rules and regulations. After constructing this complex, although the Sabha had entered to an agreement for charge Rs.250 and Rs.100 each from stalls on the decision of the Sabha, actions had not been taken to recover a rental amount of Rs.6,981,344 from the year 2005 to September 2016 to the Urban Council.
- (e) The Railway Reserve above the railway line has been given to the long-term lease without an agreement of the Railway Department, and Rs. 3,627,214 had to be paid from 2000 to 2011.
- (f) While there were 32 vacancies of health designation between actual and approved staff, 10 redundant workers had been deployed for the office. There were vacancies in the designations of accountants, two Development Officers, and one in Public Management Assistant, 3 Drivers and one in Electricity Worker.

3.3 Operational Inefficiencies

Following matters are observed.

- (a) Although the fish shops should be leased after recovering the key money amount of Rs. 5,310,667, it had allowed paying that amount 60 as instalments.
- (b) An assessed value of Rs.7,456,742 related to lease the lands of the Urban Council from 27 rent holders had not been recovered until 31 December 2016.
- (c) The total annual rent of Rs.2,192,106 had to be recovered as on 3 October 2016 from 125 land lease holders. However, these amounts were not recovered.
- (d) The amount of Rs.239,916 that had to be recovered from the lawyer complex constructed in the Sabha had not been recovered.
- (e) An amount of Rs.687,405 which had long standing for lease the meat shops had not been recovered.
- (f) An amount of Rs.73,817,609 had to be settled as at 2nd October 2016 hence the shops at the Gampola Public Shopping Complex had given for business activities without recovering the tender fees at the same time.

3.4 Idle/Underutilized Assets

Two machinery and three vehicles worth Rs.4,612,270 of the Sabha had been remained vain and underutilized.

3.5 Identified Losses

A lorry that owned to the Sabha had been faced to an accident at night on 18 May 2016. According to the FR 104 (3) of the initial report about the losses, while the accident had carried due to driver's negligence, it had been loss of Rs.211,340 to the Council according to the repair estimate was obtained from Indra Traders.

3.6 Solid Waste Management

- (a) Approximately 20 MT of garbage collected daily in the area of authority and there was no proper program to manage the garbage. The garbage collected, was disposed to Ambuluwawa Bio-Diversity Complex and had been covered with soil. An amount of Rs.6,328,810 was spent on the disposal of garbage and soil due to the landslide in 2016. Accordingly, the waste which collected had been disposed of without recycling and was disposed in a manner damaging to the environment.
- (b) The people who affected by the landslide of the land where the council had dumped the garbage, had been complained to the Human Rights Commission desiring an amount of Rs.3,433,500.

4 Accountability and Good Governance

4.1 Annual Procurement Plan

Although an amount of Rs.22,886,989 had expended on the capital expenditures in the year under review, it had not been prepared a Procurement plan.

4.2 Budgetary Controls

Following matters are observed in this regard

- (a) According to the budget that had made for the year under review, when comparing the estimated and actual values, there were variations in a range of 35 to 79 percent of 03 items of revenue and 9 to 78 percent of 07 items of expenditures. Accordingly, it was observed that the budget had not been made use as an effective tool of management.
- (b) A total of Rs. 4,755,000 had provided for 16 votes had been remained totally without spending.
- (c) Variances had remained between the net provision of 19 items of votes and actual costs at a range from 43 percent to 99 percent.

5 Systems and Controls

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

- (a) Fixed Assets
- (b) Accounting
- (c) Finance and Banking
- (d) Vehicle Administration
- (e) Revenue Administration
- (f) Creditors and Debtors