

**Kadugannawa Urban Council
Kandy District**

1. Financial Statements

1.1.1 Presentations of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 30 March 2017 while Financial Statements relating to the preceding year had been submitted on 31 March 2016.

1.1.2 Qualified Opinion

In my Opinion, except for the effect of the matters described in paragraph 1.3 of this report. Financial Statements give a true and fair view of the Financial position of the Kadugannawa 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

The following observations are made.

- a) 05 compost barrels valued at Rs.83,500 non physically existing items had been accounted as at 31 December of the year under review.
- b) The receivable interest of Rs. 38,956 for fixed deposits, on 159-60-01-0000225-01 had not been accounted.
- c) The annual interest of Rs.81,562 for the fixed deposit No 2-0084-11-01234 .It is excessively by Rs.108,602 although the actual interest for the year was Rs.81,562. Due to this error the financial year's revenue shows on excess of Rs.27,040.
- d) Although the no 2-0084-11-01234 in the fixed deposit valued to Rs. 1,348,588, it had been accounted as Rs. 1,402,544 and due to this error there was an excess of Rs. 53,956 stated.
- e) A sum of Rs. 52,935 payable and receivable hand hold money on behalf of four constructions had not been accounted during the year under review.

1.3.2 Contingent Liabilities

Non payment of licensing fees, leasing of Trade complex and markets and 13 cases of unauthorized constructions had been handed over by the council, but these had not been disclosed in the Financial Statements.

1.3.3 Unreconciled Control Accounts

On the 31 December of the review year according to the Financial Statements, the common stores value was Rs. 756,105 ,But a change of Rs. 164,130 had been due to the sum being Rs. 591,975 according to the supporting documents.

1.3.4 Receivable and Payable Accounts

The following observations are made.

a) Receivable Accounts

The balance of 02 accounts valued as at 31 December of the year under review totaled a sum of Rs. 4,738,945 while an account which exceeded an year was Rs.252,826.

b) Payable Accounts

The accounts payable as at 31 December of the year under review of two accounts totaled to a sum of Rs. 4,356,031 while an account which exceeded on year was a sum of Rs. 4,042,227.

1.3.5 Lack of Evidence for Audit

Since the required information was not submitted to the audit, the transactions of sum of Rs. 6,396,470 could not be verified satisfactorily.

1.3.6 Non compliance to the Laws, Rules and Regulations

The audits were observed, the instances when there was non compliance with the following laws, rules and regulations.

| Reference to laws, rules and regulations | Non Compliance |
|--|---|
| ----- | ----- |
| a) The Cabinet Memorandum of introduce a program to regulate the three-wheeler service of No. NP/RTC/TR/CM/12/07 and dated September 122012. | Actions had not been taken to charge a sum of Rs. 481,200 from 400 registered three-wheelers. |
| b) The para 2, circular no. 1980/46 of the Local Government commissioner's dated on 31 st December 1980. | Although the estimated should be amended once in every 5 years, it had not been done so. |

2. Financial Review

2.1.1 Financial Results

According to the presented Financial Statements, revenue exceeding the recurrent expenditure for the year ended 31 December 2016 amounted to Rs.6,851,137 accordingly the income exceeding the recurrent expenditure amounted to Rs.7,274,116 in comparison with the previous year, it shows a decrease of Rs.422,979 during the financial year 2016.

2.1.2 Analytical Financial Review

A fall of Rs. 491,729 had been mainly due to the fall of warrant fees and fine charges by Rs. 422,979 in the financial results.

2.1.3 Working Capital Management

The ratio of total current assets and total current liabilities during the year of review and the past 2 years were 1.8:1, 2.4:1 and 1.6:1 respectively.

2.4 Revenue Administration

2.4.1 Rates and Lease

The following observations are made.

- a) The revenue from rates receivable for the 01 January 2016 amounted to Rs.5,244,665 and the revenue billed up to 31 December 2016 amounted to Rs.7,569,773. Sum of 2,196,320 from the arrears of last year and a sum of Rs.4,852,708 from the billed revenue had been recovered and it was 64 percent and 41 percent respectively. Accordingly collection of revenue was at a low level.
- b) When analyzing the arrears of rates, Rs. 690,252 receivable from Government Institutions were not recovered.

2.4.2 Lease Rentals

The following observations are made.

- a) At the beginning of the review year there was arrears rent of Rs. 237,051 while the billed revenue for the year was Rs. 1,651,752. It was only Rs. 62,050 from the arrears amount and Rs. 1,563,636 from the billed revenue had been recovered in the previous year.
- b) An outstanding fair rental balance existed as at the beginning of the year of Rs.252,826 had not been recovered.

2.4.3 Other Revenue

The outstanding **Rest House** fees of Rs. 243,750 existed at the end of the year under review had not been recovered.

2.4.4 Court Fines and Stamp Duty

A sum of Rs. 218,015 of Court Fines and a sum of Rs. 578,950 Stamp Duty were due to be recovered as at 31st December during the year under review from the Chief Secretary of the Provincial Council and other Authorities.

3. Operational Review

3.1 Performance Evaluations

Although The general facilities of the people who live in the urban environment should be fulfilled by the Urban Council, special attention had not been paid to the cleaning of the drainage systems near the trade complex and the city's cleanliness.

3.2 Management Inefficiencies

The following observations are made.

- a) The lease of the land belonging to the Urban Council was done without an agreement and permanent constructions had been carried out.
- b) The Railway station with the old office building belonging to the Kadugannawa Urban Council was leased out Bonds No. 32699 were settled on Rs.275,000 a year. Since the payment of rentals had been irregular up to December 2014, the arrears was amounted to Rs. 3,411,201.
- c) The total floor space of 1738 square feet conference hall belonging to the Council, had only earned an income of Rs. 35,000 during the year 2016 by renting out.
- d) The houses belonging to the council remained dilapidated and no action had not been taken in order to renovated them.
- e) A action had not been taken to identified the boundaries of the lands KaladuruKotuwa and Manguswatte belonging to the Council and not protected.

3.3 Operational Inefficiencies

The following observations are made.

- a) Under the Provincial Specific Development Grant Rs. 455,579 worth of Computers and Accessories provided on 27 February 2015, had not been used for the proposed purpose and kept at the office unutilized.
- b) The Council has approved 337 building plans from the year 2013 to 2015, but compliance certificate had been issued only 13 plans.

3.4 Ideal / Underutilized Assets

The following observation are made.

- a) 06 valuable vehicle and machinery items worth of Rs. 598,000 had been underutilized and were ideal.
- b) Rs. 17,649,179 worth of Becho Machine and Rs. 7,967,144 worth of vibrating roller, received as Donations on February 2015 to the Council had been underutilized.
- c) An old office belonging to the council had been kept close without utilizing .

3.5 Contracts Administrations

Development of the Children's Park.

An amount of Rs.641,622 has been paid to the development at childrens' park at the Kadugannawa Sunil S. Abeysundara sports ground under the Instructor Development program of the Local Government in 2016. Although the basic formula for work equipment under work item 02 had been paid at Rs.63,088, the base was not in symmetry and in proper amount, due to the inadequate carpets that were purchased, concrete surfaces were made for the circular glob but no carpets had been layer and there were 27 carpets at the pavilions.

3.6 Solid Waste Management

At least 2 metric tones of solid waste is being collected at the authority of Urban Council area by the employees of the council and tractors on a daily basis. While the garbage is not being collected separately, one metric ton of decaying garbage is being handed over to the solid waste section of the Yatinuwara Pradeshiy Sabha by paying a sum of Rs. 1000. Since the Urban Council owns no space to dispose the un recyclable waste, it had been thrown in the open space, accordingly the environment had been polluted due to these actions.

4 Accountability and Good Governance

4.1 Budgetary Control

It had been observed, that during the year under review, in the items of income and expenditure, there was a significant variation between the actual and budgeted income and expenditures after the transfer of grants, thereby the budget was not used as an effective management tool.

- a) Any amount had not been expended from the provision in the year amount of Rs.1,920,000 that had been allocated for 11 items of expenditures.
- b) The net provision and actual expenditure on 25 expenditure items varied from 42 percent to 1520 percent.
- c) Among 25 items of estimated and actual income variation ranged from 29 percent to 18643 percent.

4.2 Annual Procurement Plan

It had not been prepared a Procurement Plan for the year under review.

5 Systems and Controls

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

- a) Fixed Assets
- b) Accounting
- c) VehicleAdministration
- d) Revenue Administration
- e) Creditors and Debtors
- f) Contract Administration