

Kuliyapitiya Urban Council

Kurunegala District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 31 March 2017 while Financial Statements relating to the preceding year had been submitted on 31 March 2016. The Auditor General's Report relating to the year under review was sent to the Secretary of the Council on 31 August 2017.

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 Kuliyapitiya 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 matters were observed.

- (a) Purchase of library books in the year under review and the preceding year totaling Rs.528,635 had not been brought to account.
- (b) Stall rental amounting to Rs.334,400 receivable for 2 trade stalls of the Kuliyapitiya Bus Stand from November 2013 to November 2016 had not been brought to account.

1.3.2 Non-reconciled Control Accounts

Non-reconciliations amounting to Rs. 31,687,881 were revealed between the balances shown in the financial statements relevant to 03 items of accounts and the balances in the subsidiary documents relevant to those items.

### 1.3.3 Accounts Receivable and Payable

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Following matters were observed.

#### (a) Accounts Receivable

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Action hadnot been taken to recover the revenue debtorsbalance receivable amounting to Rs.77,967,859 as at 31 December of the year under review.

#### (b) Accounts Payable

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- i Action had not been taken in respect of the balances that could be settled out of the refundable deposits of Rs.4,062,821 elapsed a period of 03 years as at 31 December 2016.
  - ii The unsettled balance of creditors older than 03 years as at 31 December 2016 amounted to Rs.3,776,729.

### 1.3.6 Non-compliance with Laws, Rules , Regulations and Management Decisions etc.

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The following instances of non-compliances were observed.

<b>Reference to Laws, Rules Regulations etc.</b>	<b>Non-compliance</b>
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	
Financial Regulation 1646	Daily Running Charts had not been furnished to the Auditor General
(b) PublicAdministration Circulars	
(i) CircularsNo.26/92 dated 19 August 1992 and No.26/92(1) dated 03 August 1994.	Government emblem and the name of the institution had not beenstenciled on the vehicles
(ii) CircularNo.05/2013 dated 22 April 2013.	Although uniform allowances amounting to Rs.28,000had been paid to 07 Drivers and junior employees, they had not dressed in uniforms in reporting to the duty.

## 2. Financial Review

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### 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 2016 had been Rs.56,548,493 as compared with the corresponding excess of revenue over recurrent expenditure amounted to Rs. 23,770,479 in the preceding year, thus indicating an improvement of Rs.32,778,014 in the financial results.

### 2.2 Analytical Financial Review

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Increase in the recurrent revenue by Rs.36,358,643 had mainly attributed to the increase in the financial result.

### 2.3 Revenue Administration

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#### 2.3.1 Performance in Revenue Collection

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The following matters were observed.

- (a) The estimated revenue for the year under review was Rs.71 million and actual revenue was Rs.45 million.
- (b) Arrears of revenue amounting to Rs.18 million as at the beginning of the year under review had increased up to Rs.38 million by the end of the year.
- (c) Out of the billed Lease Rent revenue amounting to Rs.10,877,912, a sum of Rs.8,731,763 had been recovered.
- (d) Out of the other revenue amounting to Rs. 25,559,220, a sum of Rs.11,298,712 had been recovered.

#### 2.3.2 Rates

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The following matters were observed.

- (a) Action had not been taken to recover the Rates by obtaining the assessed value for new constructions for which the Certificate of Conformity had been issued up to the end of the year 2016 following the assessment carried out in the year 2014.
- (b) Assessed values had not been taken in the year 2016 and Rates had not been recovered relating to 84 trade stalls of the Gema Trade Complex for which Certificate of Conformity had been issued.
- (c) Out of Rates in arrears of Rs.8,285,262 as at 31 December 2016, a sum of Rs.2,115,892 was due from the Government properties.

### **3. Operating Review**

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#### **3.1 Performance**

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The following matters were observed.

- (a) Three works, the estimated value of which was Rs.5,825,000 according to the Action Plan of the year under review had not been carried out.
- (b) Hundred and eighty one programmes specified in Health Sector Plan had not been carried out.

#### **3.2 Management Inefficiencies**

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The land in which the Solid Waste Management Centre was situated had not been taken over to the Council.

#### **3.3 Operating Inefficiencies**

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The following matters were observed.

- (a) Four trade stalls in the Kuliyaipitiya Public Market had been leased out in the year under review to the same lessees who had obtained those stalls in the preceding year at the rates applicable to that year and as such, the Council had been deprived of the opportunity to earn revenue which could have been earned through the competitiveness.
- (b) The North Western Provincial Road Passenger Transport Authority had been using 02 trade stalls of the Kuliyaipitiya Bus Stand from the year 2013 without paying a rental and the rental in arrears as at the end of the year under review amounted to Rs.334,400.

#### **3.4 Idle and Underutilized Assets**

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Five motor vehicles belonging to the Council had become inoperative and action had not been taken to dispose of them under a planned arrangement.

#### **3.5 Contract Administration**

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The following matters were observed.

- (a) On the Assadduma Galahitiyawa Road which had been developed by concreting at a cost of Rs. 1,899,005 during the year under review, concrete had not been laid for an extent of about 45 feet at the place where road and the bridge connect. It was established at the physical inspection carried out on 20 January 2017 that concrete layer had been cracked from 1.3 meter to 10 meters in 06 places within first 30 meters on the road close to the

bridge and another cracks could be observed on 4 concrete slabs laid on culverts along another 30 meters and potholes had been formed along another 30 meters on the road.

- (b) In the construction of two office rooms at the premises of Kuliyaipitiya Weekly Fair by spending Rs.938,870, a sum of Rs.17,352 had been paid for the uncompleted work and Rs.97,657 had been paid for 06 items of works which had not been properly completed.

### 3.6 Solid Waste Management

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Although there was a large amount of dumped garbage suitable for the production of organic fertilizer, shortage of labourers and inactiveness of a garbage segregating machine had been an impediment to the production activities.

### 3.7 Environmental Issues

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The cattle slaughterhouse and the pig slaughterhouse situated in the Solid Waste Management Centre were being maintained in the dilapidated buildings and a hostel of the Kuliyaipitiya University and a garment factory were in the adjoining lands. Nevertheless, this area had not been separated by constructing a wall around it. Further, a pit or ditch had not been constructed to flow water mixed with the wastes of the pig slaughterhouse and at the time of audit test check, the pigs brought for slaughtering could be observed straying over the premises of the Solid Waste Management Centre. A large number of blades brought for removing the pigs hairs could be found scattering over the land.

## 4. Accountability and Good Governance

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### 4.1 Annual Procurement Plan

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

## 05. Systems and Controls

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Deficiencies in the systems and controls observed during the course of audit were brought to the notice of the Secretary from time to time and special attention is needed in the following areas of systems and controls.

System	Observations
(a) Stock Control	Closed stock had been accounted up on the ledger values and there was a difference of Rs.23 million with the Stores Ledger.
(b) Creditors	Action had not been taken to settle the long standing balances of creditors.

