

Kegalle Urban Council

Kegalle District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to audit on 29 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman on 31 July 2018.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Kegalle Urban Council as at 31 December 2017 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 matters were observed.

- (a) The debtors had been brought to account understating by Rs.77,684 as at the end of the year under review.
- (b) Even though, the interest of fixed deposits receivable as at 31 December of the year review amounted to Rs.5,386,889, it had been brought to account as Rs.969,120 and as such the revenue for the year and the revenue receivable had been understated by Rs.4,417,769.

1.3.2 Unreconciled Accounts

The balances of 04 items of accounts aggregated Rs.46,012,033 as per the financial statements as at the end of the year under review whereas the balances of accounts aggregated Rs.3,157,792 as per subsidiary registers/reports resulting in a difference of Rs.42,854,241.

1.3.3 Suspense Account

Action had not been taken to settle the credit balance of the suspense account amounting to Rs.3,657 as at 31 December 2017.

1.3.4 Accounts Receivable and Payable

(a) Accounts Receivable

The balances of accounts receivable older than 01 year as at the end of the year under review aggregated Rs.22,333,466.

(b) Accounts Payable

The value of the total balances of accounts payable older than 01 year as at the end of the year under review amounted to Rs.20,143,945. A sum of Rs.10,000,000 for improvement

of swimming pool and a sum of Rs.3,000,000 for improvement of roads included in the payable balance had been the allocations for the activities not executed.

1.4 **Non-compliances**

Non-compliance with Laws, Rules, Regulations and Management Decisions

The instances of non-compliance with the provisions of laws, rules, regulations and management decisions are given below.

Reference to Laws, Rules, Regulations and Management Decisions.	Value Rs.	Non-compliance
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(a) Financial Regulations of Democratic Socialist Republic of Sri Lanka .		
(i) Financial Regulation 396(d)	76,625	Action had not been taken on 15 cheques issued but not presented for payment and elapsed six months.
(ii) Financial Regulation 571	2,682,487	Action had been taken on lapsed deposits.
(iii) Financial Regulation 1646	2,775,995	Daily Running Charts and Monthly Performance Summaries for 21 motor vehicles belonging to the Council had not been furnished to audit.
(b) Public Administration Circular No. 30/2016 dated 29 December 2016		- A fuel consumption test on 16 motor vehicles of the Council had not been carried out.

2. **Financial Review**

2.1 **Financial Results**

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2017 amounted to Rs.39,882,387 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.42,086,583.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Arrears of Revenue

The information with related to estimated revenue, billed revenue, collected revenue and the arrears of revenue furnished for the year under review and for the preceding year appears below.

Source of Revenue	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	12,227,000	12,227,000	11,814,738	2,637,989	11,575,000	11,575,000	10,725,410	4,631,408
(ii) Lease Rent	41,041,582	41,689,820	41,875,578	3,933,411	38,815,060	38,154,860	46,031,746	3,665,891
(iii) Licence Fees	2,656,500	2,592,000	3,167,284	470,120	1,749,500	1,715,000	812,032	134,840
(iv) Other Revenue	128,394,498	128,555,498	104,868,665	35,474,508	129,055,778	129,052,278	103,996,868	37,094,491

A comparison of the estimated revenue of the year under review with the revenue collected showed a decrease in revenue collected with regard to the revenue items such as rates and taxes and other revenue by 03 per and 18 per cent respectively and the revenue collected from lease rent and licence fees had increased as compared with the estimated revenue by 2 per cent and 19 per cent respectively.

2.2.2 Rates and Taxes

The following matters were observed.

- (a) Even though, action should be taken to recover the money by a restraining order and a sale of the properties belonging to the owner of the place in respect of any unpaid rates and taxes or acreage tax, action had not been taken to recover rates and taxes amounting to Rs.594,002 relating to a period from 05 years to 32 years from 41 owners of the lands and places of assessment according to the test checks.
- (b) Even though, the properties should be assessed once in 05 years and recoveries should be made accordingly for recovery of annual rates and taxes, the rates and taxes for the year 2017 also had been recovered on the basis of assessment made in the year 2001; As the rates had been recovered on the basis of the assessment value existed before 15 years, the opportunity to recover revenue on the present value had been deprived.

3. Operating Review

3.1 Performance

The matters revealed in respect of the activities that should be carried out by the Council such as regularize and control over the matters on public health, public utility services and public roads and comfort, facilities and wellbeing of the people under Section 4 of the Urban Council Ordinance are given below.

(a) Failure to achieve Expected Output Level

The following matters were observed.

- (i) A sum of Rs.8,865,977 had been incurred from the year 2011 to 2016 for the first stage of the Olagama swimming pool. But the swimming pool had not been utilized as the second stage had not been commenced and as such the amount spent had become a fruitless expenditure. Around the swimming pool which constructed half way had become a jungle and the pool filled with water and as such, there was a risk of breeding mosquitoes.
- (ii) According to the Budget 2017, the provisions of Rs.39,605,000 had been allocated under capital expenditure and the estimates had been prepared for 08 works valued at Rs.5,436,893. Nevertheless, no work whatsoever had been executed during the year under review.
- (iii) Even though, a cost of 2,209,498 had been incurred for the Nidahas Mawatha Children's park under decentralized budget programme -2017, and the constructions had been completed on 22 December 2017, the park had not been opened for the utilization of public by May 2018.

(b) Environmental Problems

The following matters were observed.

- (i) According to the Action Plan 2017, the target was to reduce Dengi patients by 50 per cent recorded within the Kegalle Urban Council Limit in the year 2016 out of the objectives of the Environment and Health Division. Nevertheless, the number of patients recorded as 39 in the year 2016 had increased up to 180 patients in the year 2017. Accordingly, an increase of 461 per cent of the Dengi patients was shown as compared with the year 2016.
- (ii) As the public lavatory at Rathambalawatta, Kegalle and the public lavatory close to hospital junction had been closed from the year 2014 even by May 2018, it was failed to provide common amenities to the public.

(c) Solid Waste Management

The following matters were observed.

- (i) It was observed that the waste collection per day had been about 15 to 20 tones approximately in the authoritative area of the Urban Council while permanent solutions had not been given to dispose solid waste out of those waste. The waste had been dumped around the solid waste Management Centre and the land on which collected waste had faced to a risk of earthslips.

(ii) The Huller Machine used for the manufacturing of composts fertilizer had remained non – operative even by May 2018, the manufacturing of composts had been discontinued.

(iii) The waste collection land had not been secured to avoid the entrance of the animals.

(d) Sustainable Development Goals

As the Council had not aware in respect of the 2030 Agenda of Sustainable Development Goals, the long term plans to upgrade the livelihood and the health of the people of the authoritative area of the Council through global indicators for that objectives had not been prepared even by May 2018.

3.2 Management Inefficiencies

The following matters were observed.

- (a) A sum of Rs.573,638 which should be taken in to revenue had been retained in the deposit account.
- (b) A sum of Rs.10,000 per day should be charged as deposits in reservation of Town Hall, and after completion of the activity the due amount should have been taken in to account and the balance should be settled. Nevertheless, action had not been taken either to settle a sum of Rs.520,750 or to take into revenue account relating to the period from the year 2014 to 2015.

3.2 Assets Management

The following matters were observed.

- (a) Three motor vehicles and 02 accessories belonging to the Council had not been utilized for a long period.
- (b) According to the verifications of the Council properties in the year 2017, the observations and the proposals recommended by the Boards of Survey in respect of 13 properties belonging to the Council, but not revealed so far had not been implemented even by May 2018.

4. Accountability and Good Governance

4.1 Budgetary Control

In view of the budgeted provisions approved and the transfers of the provisions in the year under review, the entire total provisions of Rs.16,183,500 made for 58 objects and provisions totalling Rs.66,382,540 ranging from 30 per cent 99 per cent out of the provisions of Rs.50,199,040 made for 76 Objects had been saved without being utilized for the Council activities.

5. **Systems and Controls**

Deficiencies observed during the course of audit were brought to the notice of the Council from time to time. Special attention is needed in respect of the following areas of control.

System -----	Deficiencies -----
(a) Accounting	(i) Failure to update deposit register. (ii) Failure to update staff loan register.
(b) Fixed Assets Control	Existence of unidentified fixed assets.
(c) Debtors control	Existence of long term recoverable balances of revenue.
(d) Budgetary Control	Considerable savings of the provisions.
(e) Motor Vehicles Control	Failure to take action on condemned motor vehicles and the vehicles to be repaired.