

Gampola Urban Council  
Kandy District  
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1. Financial Statements  
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1.1 Presentation of the Financial Statements  
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The financial statements of the year 2018 had been presented to the audit on the 28 February 2019 and the summary report of the Auditor General and the detailed management report regarding the financial statements had been forward to the chairman on 28 May 2019.

1.2 The Qualified Opinion  
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I am in an opinion that, except the effect on the financial statements of the matters referred under the section of the basis for a qualified opinion in this report, the financial statements had been prepared in accordance with generally accepted Accounting Principles and give a true and fair view of the state of affairs of the Nawalapitiya Urban Council as at 31 December 2018 and financial results of its operations for the year then ended.

1.3 The basis for a Qualified Opinion  
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(A) Accounting Deficiencies  
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	Audit Observation -----	Recommendation -----	Comment by the Accounting Officer -----
( i )	The cost of the development of 4 land and buildings amounting Rs. 2,617,875 had been under-capitalized.	Actions should be taken to accounted correctly.	It had been capitalized the value of three industries.
( ii )	The machinery worth of RS.1,591,226 and ayurvedic medicine stocks worth of Rs.548,213 that had been purchased within the year under review had not been accounted	Actions should be taken to accounted correctly	Action will be taken to correct

(B) Non reconciled Accounts

Audit observation	Recommendation	Comment by the Accounting Officer
It had been observed a difference of Rs. 2,701,240 when compare the total amount of Rs. 53,657,082 3 accounts subject stated in the financial statements with their relevant schedules, supporting documents and reports.	Actions should be taken to correct the accounts by comparing the differences of the balances.	I will inform you that the difference is being examined and corrected.

(C) Accounts Receivable and Payable

Audit monitoring	Recommendation	Comment by the Accounting Officer
(i) The total amount of accounts receivable over a period of one year was amounting to Rs.90,979,928.	Action should be taken to recover the balance due.	The relevant institutions have been informed.
(ii) The total amount of accounts receivable over a period of one year was amounting to Rs.23108,852.	Action should be taken to settle the outstanding balances.	Answerer had not been given

(D) Lack of written evidence required for the Audit

Audit observation	Recommendation	Accounting officer Commentary
03 accounting subject worth of Rs. 46,516,252 had not been vouched satisfactorily in audit due to non submission of the acceptable audit evidence to the audit.	It should be Presented of evidence confirming the balance sheet in the financial statements.	I am unable to find the schedule and I will inform you that action will be taken to recover.  Balance confirmation letters are requested but have not been responded.  Balance reports have been requested but have not yet been received.

1.4 Non-compliance

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 Non-compliance with laws, Rules, Regulations and Management Decisions  
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	Refer to rules, rules, regulations and management decisions	Non-compliance	Recommendation	Comment by the Accounting Officer
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(a)	section Act 36 (e) of urban Ordinance	The lease of lands and buildings belonging to the Sabha had been leased on the decisions of the Council without obtaining the prior approval of the Minister in charge.	Action should be taken as comply with the provisions of the Municipal Ordinance .	Some of properties had been leased on the council decisions. Action will be taken to lease the property with the approval of the Minister.
(B)	Paragraph 0 1 and 04 (1) of the Commissioner of Local Government Circular No: 2016/03 dated March 17, 2016	Rs. 86,512,738 had not been recovered from each of the tendered stalls in the year 2016, and no late rental charges were levied.	Actions should be taken in accordance with the circular instructions.	Late fees will be charged from January 2019.

2. Financial Review

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 2.1 Financial results  
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According to the presented financial statements, excess of income over recurrent expenditure for the year ending 31 December 2018 amounted to Rs.77,971,316as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.26,731,108.

2.2 Financial Control

Audit observation	Recommendation	Comment by the Accounting Officer
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It had been settled the return cheques worth of Rs569,500	Action must be taken to settled the return check.	Accept.

## 2.2 Revenue Administration

### 2.2.1 Estimated Revenue, Billed amount of Revenue, collected Revenue and outstanding Revenue

Details of Estimated Revenue, Billed Revenue, collected Revenue and Arrears of Revenue for the year under review and for the previous year are as follows.

Source of revenue	2018				2017			
	Estimated Revenue	billed revenue	Revenue collected	Total arrears as of December 31 <sup>st</sup>	Estimated Revenue	Billed amount of revenue	Revenue collected	Total arrears as of December 31 <sup>st</sup>
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates Taxes	29,800,000	31,936,586	30,616,461	45,014,756	3,190,000	63,788,716	30,823,412	49,005,556
Rent	12,000,000	13,505,481	9,180,131	18,745,201	10,509,000	12,440,539	8,689,463	14,594,084
Licences fees	2,600,000	2,824,831	2,784,831	40,000	2,500,000	2,663,854	2,663,854	-
Other Revenue	48,140,000	12,570,838	29,968,107	93,566,930	32,050,000	55,745,470	30,258,818	49,441,827
<b>Total</b>	<b>92,540,000</b>	<b>60,837,736</b>	<b>72,549,530</b>	<b>157,366,887</b>	<b>48,249,000</b>	<b>134,638,579</b>	<b>72,435,547</b>	<b>113,041,467</b>

### 2.3.2 Performance of Revenue Collection

#### Audit observation

Although the total income to be collected during the year under review was Rs.173, 879,203, the revenue collection for the year was amounting Rs.72, 549,530 or 40 percent.

#### Recommendation

Arrears should be recovered.

#### Comment by the Accounting Officer

Accept.

### 2.3.3 Assessments and Taxes

#### Audit observation

An amount of Rs.2,412,466 from 12 government institutions, Rs. 98,082 from Lawyer's Office Complex had been to be received.

#### Recommendation

Revenue due from government institutions should be recovered.

#### Comment by the Accounting Officer

I accept

#### 2.3.4 Rent

Audit observation ----- -----	Recommendation ----- -----	Comment by the Accounting Officer ----- -----
(a) There was a balance of Rs.938,303 which had not received since long period.	Action should be taken to recover the rentals on time.	I accept
(B) There was an arrears of rentals amounting to Rs.352,241 from Attorney office complex	Action should be taken to recover the lease timely.	I accept
(C) Five years had passed since leasing of the common market but it had not been received a key money of Rs.1,665,238 and an amount of Rs711,660 of shop rent according new assessment had not been recovered	Action should be taken to recover the lump sum payments in accordance with the circular instructions.	Answer had not been received.
(D) Rent of Rs .1,697,074 had been charged for Shopping complex at near the bus stop	The receipt of the proceeds to the Council Fund should be carried out in accordance with the lease agreements.	An letter of demand has been sent through the lawyer to recover the arrears.
(E) Although the stalls of the general store should be assessed every five years,but it had not carried out after 2008.	The stalls should be assessed every five years.	The common market is a failed project. The shops have been closed due to non-availability of customers to the general market. No valuation has been done as there are no bills.
(f) An amount of Rs.5, 132,158 had not been recovered from public market stalls.	According to the lease agreements, the council should be taken action to get the proceeds from the fund.	Answer had not been received
(G) The shop rent had not been collected from The shopping mall which had built at up to the railway of Gampola regarding the	According to the lease agreements, the council should be taken action to get the proceeds from the fund.	Case has filed under Case No. S 6789.

year 2005 to 2018 was amounting to Rs.9,980,988 .

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| (H) | It had not been recovered the key money payment from 35 taxpayers in respect of land leases amounted to Rs. 13,500,921 and the annual rent amounting Rs. 2,119,398 from 112 taxpayers. | It should be done Payment of key money, levying of tax money and revision of taxes once in 5 years . | Even though the land has been disposed of as a result of the council decisions, I will submit the government assessment to the Minister for approval. |
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### 2.3.5 Other Income

Audit observation	Recommendation	Comment by the Accounting Officer
(a) Rest House ----- The rest house fee was not charged in the year 2018, and the outstanding Rest House fee balance was amounting to Rs.1, 611,276.	Actions should be taken to recovered relevant charges	I accept
(b) Public Toilet Fees ----- The arrears toilet fee balance was amounting to Rs.1,102,887 which had not settled from several years	Actions should be taken to recovered relevant charges	I accept

### 2.3. 6 Court Fines and Stamp Fees

Audit observation	Recommendation	Comment by the Accounting Officer
The receivable court fines amounting to Rs 2,543,294 and stamp fees amounting to Rs.84,873,710 .	The relevant money should be charged to the Council.	I accept

3. Operational Review

3.1 Performance

Following are the observations on the perform the functions of Public Health, the regulation of matters of public utility services and the management of public roads, people in comfort, convenience and welfare of the Council to regulate and administer public health, public utility services and public roads under section 4 of the urban council ordinance.

(A) By-Laws

Audit observation	Recommendation	Comment by the Accounting Officer
Under Section 157 of the Urban Council Ordinance, by-laws were to be enacted to meet 15 main matters, but it had imposed only for seven matters.	By-laws should be made to earn income.	I accept

(B) Non-provision of funds

Audit observation	Recommendation	Comment by the Accounting Officer
According to the annual action plan of the Council, 26 tasks had not been fulfilled	Tasks that the included in the action plan and must perform.	I accept

(C) Failure to achieve expected outcome

Audit observation	Recommendation	Comment by the Accounting Officer
The market, which was planned to be a three storey building, was built at a cost of Rs 2,002,742,936 only with two floors. Thirteen years later, while actions had not been taken to complete the upper floor, and concrete sections had been erupted and rain water leaks from the site.	The expected level of output must be acheived	The council has only coordinated the project. Estimates are being made to the roof to prevent water leaks from the upper floor.

(D) Solid Waste Management

Audit observation	Recommendation	Comment by the Accounting Officer
Formal program had not been prepared in the management of total waste collected daily in the Council area	Action should be taken to prepared long term programmed to waste management.	Gampola Urban Council has not a waste disposal place so the waste had disposed to Kundasale and Kandy compost yards by paying maney.

(E) Sustainable Development Goals

Audit observation	Recommendation	Comment by the Accounting Officer
The Council did not identify the Sustainable Development Goals and the indicators for achieving and measuring progress.	Sustainable Development Goals should be identified and tasks should be performed to achieve them.	No answers provided.

3.2 Management inefficiencies

Audit observation	Recommendation	Comment by the Accounting Officer
(a) The long-term repayment loans to Asian Development amounted to Rs. 497,132.	Action should be taken to settle the outstanding balances.	Balance confirmation was requested to settle the loan, but no reply was received.
(B) An amount of Rs.42,063,401 had not been recovered regarding to the assets that had transferred to the Electricity Board	Action should be taken to settle the balance due.	It had informed by a written notice of advance payment.
(C) 102 stalls in the public market had been closed without commercial activities and 36 stalls were closed without leasing.	The expected benefits should be taken .	No answers provided.



### 3.3 Human Resource Management

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Audit observation	Recommendation	Comment by the Accounting Officer
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(a)(i) vacancies and excess of employees		
----- There were 8 employees excess and 37 vacancies.	Actions should be taken to avoid excess and completed the vacancies.	I accept
(ii) 04 office assistants, 4 road and health workers And 3 maternity assistants had been assigned to the office works.	Action should be taken to delegate duties regarding to the post.	Answer had not been presented
(b) employee loans		
----- There was an outstanding employee loan balance of Rs 710,242 since the period between 01-18.	Employee loans should be settled.	Letters have been sent to settle through the Provincial Treasury.

### 3.4 Operating inefficiencies

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Audit observation	Recommendation	Comment by the Accounting Officer
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(A) Although the property of the council should be assessed once in every five years, assessment tax had been levied in 2018 on the 2008 valuation.	Property in assessment area should be assessed once in 5 years.	Last assessed had been done in 2009. I am working to carried out a new assessment.
(B) Although the 10-year contract period of the Council's 15 lawyers' offices had expired, the valuation and tendering of the property had not been properly leased.	The lease should be done after the tender procedure has been assessed.	The answer had not been received.

3 .5 Asset Management

3 .5.1 Non-Reporting Of Assets

Audit observation	Recommendation	Comment by the Accounting Officer
The assets of the council have not been assessed and documented.	Actions should be taken to documented the assets	I will update the asset registers.

3 .5. 2 Idle / Underutilized Assets

Audit observation	Recommendation	Comment by the Accounting Officer
At the end of the year under review it had been idle five types of assets valued at Rs.1, 235,220.	The work must be taken to repaired or disposed as appropriate.	Works are underway to material to be auctioned, or repair,and the tractor display as physical objects and are being taken.

3 .5.3 Annual Commodity / Stock Survey

Audit observation	Recommendation	Comment by the Accounting Officer
(a) The goods survey was not carried out in the year 2018.	The survey of the goods should be carried out.	These shortcomings will be corrected in the future.
(b) No action had been taken to auction the goods worth Rs.215,954 which Expected to be auctioned off at the 2017 Goods Survey	The items to be auctioned must be auctioned off.	I will auction off the materials from the upcoming survey.

3.6 Procurement

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Contract Administration

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Audit observation

Recommendation

Comment by  
the Accounting Officer

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Urban Council Auditorium  
Changing into a hall

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The contract for the conversion of the municipal auditorium into council hall using council funds had been awarded to the Co-operative Development Society without a limited bid of Rs.2,000,000 for the level I and Rs,2,000,000 for the level II to not to mention the need for open bids

Actions should be accordingly Procurement guidelines

considering the financial condition of the House, it was done in two phases. There was a need to build a new building soon.