

Kegalle Municipal Council

Kegalle District

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year 2018 were submitted to the audit on 30 March 2019 and the Auditor General's Summary Report on this Financial Statements and the Detailed Management Audit Report was sent respectively on 31 May 2019 and 25 June 2019 to the Chairman.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in basis for the qualified opinion section of this report, the Financial Statements give a true and fair view of the Financial Position of the Kegalle Municipal Council at 31 December 2018 and its Financial Performance for the year then ended in accordance with Generally Accepted Accounting principles.

1.3 The Basis for the Qualified Opinion

(a) Accounting deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
Additional billing of rates for the year under review Rs. 525,419 had been credited to the accumulated fund.	Action must be taken to correct accounts.	Action will be taken to correct the final accounts preparation for 2019.

(b) Contingent liabilities

Audit Observation	Recommendation	Comments of the Accounting Officer
As of December 31, 2018, the Financial Statements did not disclose details of the cases filed against the Municipal Council by three outsiders.	Action must be taken to disclose the contingent liability in financial statements.	The Financial Statements will be disclosed from this year on details of cases filed by outsiders against the Municipal Council .

(c) Unreconciled Accounts

Audit Observation	Recommendation	Comments of the Accounting Officer
At the end of the year under review there were difference of Rs. 378,973 between accounting balances and supporting document.	Accounts need to be compared and corrected.	Action will be taken to compare and correct the account balances and the balance of the documents.

(d) Accounts Payable

Audit Observation	Recommendation	Comments of the Accounting Officer
Construction creditors' balances outstanding over a period of one year to the end of the year under review totalled Rs 20,830,044.	Action must be taken to settle.	Payment for these Construction is currently being settled.

1.4 Non-Compliance

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

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
(a) Municipal Council Ordinance paragraph 255 (i) Section 35 (f)	-	Three public toilets owned by the municipal council were closed and not open for public use, one of	Should act in accordance with the Ordinance of the Municipal Council for the benefit of the public. Since there are no applicants for the three toilets and there are not enough employees to employ for them, the toilets cannot be opened for public use.

			which had been covered with weeds.		
(ii) Section 160			Although an annual assessment of an immovable property or a certain type of property within the city should be imposed and recovered by a Municipal Council no annual assessment has been made since 2009.	Action should be taken to comply with the Municipal Council Ordinance.	All the information necessary for revision of valuation has been prepared and informed to the Department of Valuation in 2019.
(b) Financial Regulation of the Democratic Socialist Republic of Sri Lanka				-	
(i) Financial Regulation 571(2)	2,764,366		From 2009 to 2016 action had not been taken related to 137 deposits.	Action should be taken to comply with the Municipal Council Ordinance.	Expired deposits are currently being worked on and most of them have been settled.
(ii) Financial Regulation 1646	-		The running charts and monthly summaries of 22 vehicles and four machines in the council had not been submitted to the Auditor General.	Action should be taken to comply with the Financial Regulations.	Steps will be taken to audit the running charts in due course.
(c) Paragraph 3.1 of the Public Administration Circular No. 30/2016 dated			The fuel consumption test had not been carried out on 22 vehicles and	Action should be taken to comply with the circulars	Steps are being taken to conduct the fuel consumption test of all vehicles which have to be checked for fuel

December 29, 2016	four machine owned by the council.	consumption.
(d) Circular No. 2009/01 of Sabaragamuwa Local Government Commissioner dated 09 March 2009 Section 1.10	-	23 stalls have been leased in seven trade complexes without the approval of the council.
	Action should be taken to comply with the circulars	Action has been taken to obtain formal approval.

2. Financial Review

2.1 Financial Results

According to the financial statements presented in the year ended on 31 December 2018 recurrent expenditure exceeding the revenue of the Council was Rs. 30,389,841 and correspondently, the revenue exceeding recurrent expenditure amounted to Rs. 23,069,217 over the previous year

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Arrears

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

Revenue Source	2018				2017			
	Estimated Revenue	Billed Revenue	Revenue collected	Total deficit as of December 31 st	Estimated Revenue	Billed Revenue	Revenue collected	Total deficit as of December 31
	Rs.	Rs	Rs.	Rs	Rs	Rs	Rs.	Rs.
Rate and Taxes	11,650,000	11,929,495	12,351,605	2,733,928	12,227,000	12,227,000	11,814,738	2,637,989
Rent	42,686,600	42,816,095	42,801,902	3,853,232	41,041,582	41,689,820	41,875,578	3,933,412
License fee	2,695,500	3,614,568	3,675,648	412,040	2,656,500	2,592,000	3,167,283	470,120
Other Revenue	116,737,953	116,273,133	123,618,300	27,583,558	128,394,498	128,555,498	104,868,665	35,474,508

2.2.2 Revenue Collection performance

Audit Observation	Recommendation	Comments of the Accounting Officer
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As of January 1, 2018, the revenue of the four Heads of Revenue was Rs. 6,837,134 and the performance of collecting deficit revenues was very low at 8 to 32 per cent.	There should be acceleration in revenue collection .	Legal action will be taken to recover the rent of stalls and action will be taken to increase the recovering the arrears of other income when the issues relating to the payment of rent for the rest houses form the Urban Development Authority have been resolved.

2.2.3 Rate and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
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At the end of the year under review, the outstanding balance tax was Rs. 2,733,928 and the balance exceeded one year was Rs. 1,375,524.	Action should be taken to recover arrears.	Steps will be taken to identify the property owners and minimize the deficit rate taxes.

2.2.4 Rentals

Audit Observation	Recommendation	Comments of the Accounting Officer
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The outstanding rent balance at the end of the year under review was Rs.3,853,232, and the non-recurring balance for more than one year was Rs. 3,122,626.	Action should be taken to collect arrears revenue.	<p>(i) Legal action has been taken for three pavement shops and legal action will be taken to recover the remaining rent.</p> <p>(ii) Action will be taken to get a quick solution regarding toilet charges.</p> <p>(iii) Nandiwela Estate arrears is in trouble. However, it is necessary to check the documents and find a solution.</p>

(iv) The letter has been forwarded to obtain the approval for amortize the Rs. 1,532,780 of unrecoverable weekly fair rent.

(v) As there are problems regarding the Rs. 502,026 rented for Rest Houses that ought to be recovered from the Urban Development Authority, will discuss with the Authorities and take appropriate action.

2.2.5 Other Revenues

Audit Observation	Recommendation	Comments of the Accounting Officer
At the end of the year under review, the other income outstanding balance was Rs. 27,583,559, and the balance outstanding for more than one year was Rs. 2,112,839.	Action should be taken to recover the arrears.	<p>(i) For billboard owners who have defaulted Rs. 45,360 have been placed in court. Action is being taken to obtain the remaining amount of money.</p> <p>(ii) Taxpayers have been informed by letter regarding land leasing.</p> <p>(iii) Lottery booth fines have already been recovered.</p>

2.2.6 Court fines and stamp fees

Audit Observation	Recommendation	Comments of the Accounting Officer
The court fines of the Chief Secretary of the Provincial Council and other authorities by 31 December 2018 was Rs. 167,615 and stamp duty was Rs. 8,561,400 in the year of review and the court fine balances exceeded one year were Rs. 117,615.	Action should be taken to collect revenue.	This money is from the Provincial Council. As a result, the Local Government Commissioner's Office has decided to collect the money according to the settlement.

3 Operational review

3.1 Performance

The following are the observations on the functions of the Council to regulate and administer public health, public utility services and public roads under section 4 of the Municipal Council Ordinance.

(a) By-laws

Audit Observation	Recommendation	Comments of the Accounting Officer
Under Section 157 of the Urban Council Ordinance, by-laws were to be enacted for the purpose of seven main matters, but enacted only five matters.	The by-laws should be enacted and act accordingly.	By-laws that have not yet been enacted will be enacted in the future and the existing by-laws will be revised periodically.

(b) Action Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
As the by-laws had not been prepared and the progress reports had to be prepared according to the annual action plan for the tasks to be carried out by the council, it could not be checked whether the expected targets had been achieved.	The progress reports should be prepared in accordance with Action Plan.	Progress reports to be prepared in accordance with the Annual Action Plan will be prepared in due course.

(c) Solid Waste Management

Audit Observation	Recommendation	Comments of the Accounting Officer
Due to the lack of a proper solid waste management system, non-hazardous waste was dumped into the slopes of the waste management center premises.	Proper method of disposal of non-hazardous waste should be adopted.	The entire waste disposal process is carried out according to the prescribed methodology and all recyclable waste is diverted. But this is according to the space of the garbage yard for the disposal of non-decaying waste such as dirty polythene, rubber, leather and fabrics

and action will be taken in future periodically.

(d) Abandoned tasks

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>Although the tender was awarded on October 2017 for the development of a road roundabout at Rs. 1,363,879, and Rs. 249,304 had been paid on June 29, 2018 by 30 April 2019, the work had not yet begun.</p>	<p>The work needs to be expedited.</p>	<p>All relevant landowners have already expressed their willingness to this work.</p>

3.2 Management inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) Proper mechanism had not been made to generate revenue from the 12 lottery stalls in the Municipal Council area.</p>	<p>A system of collecting revenue from lottery stalls should be developed.</p>	<p>The relevant payments have been recovered from the lottery stalls which have been registered so far. Further recoveries will be made according to a specific procedure.</p>
<p>(b) Since 2008, one of the offices of the lawyer's office complex has been leased to outsiders without a lease agreement, and has not been legally able to recover the arrears of Rs. 105,342.</p>	<p>Action should be taken to recover the arrears.</p>	<p>Action will be taken to recover the arrears of the relevant office partition of the lawyer's office complex by law.</p>
<p>(c) 70 stalls of the public market had not been properly provided to the shopkeepers and they were unable to earn revenue.</p>	<p>A systematic procedure should be devised to recover the shop revenue.</p>	<p>Seventy stalls provided for pavement traders have not been regularized and action will be taken in this regard.</p>

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| (d) Rs. 1,532,780 rentals to be recovered from 52 old market stalls unable to be legally recovered due to non-settlement by agreements with shopkeepers. | Steps should be taken to rent shops through legal agreements. | A motion to waive the amount due has been submitted for approval. |
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3.3 Human Resource Management

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Employee vacancies and excess the approved carder was 205 and actual staff was 162 and there were 43 vacancies in 15 posts and one post remained excess .	Action should be taken to work to settle employee vacancies and excess.	Vacancies in the approved staff are reported to the Local Government Assistant Commissioner and Chief Secretary Office every month. In addition to the approved staff, a post of Development Officer is in excess.
(b) Loans for employees No action has been taken to recover Rs. 93,802 loan balance of 20 employees who have been transferred, retired, deceased, retired officers and since 1997.	Action should be taken to recover outstanding debts.	Action has been taken to identify the responsible persons of these creditors and collect the balance.

3.4 Asset Management

Idle assets

Audit Observation	Recommendation	Comments of the Accounting Officer
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Four vehicles with a value of Rs. 942,803 have been inactive for more than five years.	The vehicles inactive for long time should be repaired or taken other appropriate measures.	Although the prices of these vehicles were called and removed in the year 2015, they could not be completed as the relevant bids were not offered. Once again, a valuation report has been obtained and submitted for approval.

3.5 Procurement

3.5.1 Procurement Plan

Audit Observation

Recommendation

Comments of the Accounting Officer

A Procurement planning plan for 2018 has not been prepared.

The procurement plan should be prepared and procured accordingly.

A formal delivery plan will be prepared and acted upon in the future.

4 Accountability and good governance

4.1 Audit and Management Committees

Audit Observation

Recommendation

Comments of the Accounting Officer

Audit and Management Committee meetings for 2018 have not been held.

Successful internal control measures should be implemented after holding Audit and Management Committee meetings.

The Audit and Management Committee Meeting was held on 21st December of that year with respect to 2018.