

**Kuliyapitiya Urban Council
Kurunegala District**

1. Financial Statements

1.1 Submission of Financial Statements

The financial statements for the year 2019 had been presented to audit on 30 March 2020 and the Summary Report of the Auditor General on those financial statements on 14 July 2020 and Detailed Management Audit Report on 14 July 2020 have been sent to the Chairman.

1.2 Qualified Opinion

In my opinion except for the impact of the facts described in the section of the basis for the qualified opinion of this report the financial statements give a true and fair view of the financial position of the Kuliyapitiya Urban Council as at 31 December 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

Audit Observation	Recommendation	Comments of the Accounting Officer
Due to non-submission of required information, 02 account items totalled to Rs.16,099,294 could not be satisfactorily vouched during the audit.	Evidences which confirms the account balances shown in the financial statements should be submitted.	The Bank has been informed to issue Fixed Deposit Renewal Notices and it is informed that the Fixed Asset Schedule will be submitted with the final account.

1.4 Non-compliances

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

The instances of non-compliance with rules, regulations, regulations and management decisions are shown below.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
Public Administration Circular No. 30/2016 dated 29 December 2016	The fuel combustion of 04 vehicles belonging to the Council had not been tested.	Actions should be taken in accordance the Circular.	Since 04 vehicles have been sent for repairs, the Mechanical Engineer has been informed in writing to carry out the fuel combustion test after the completion of those repairs.

02. Financial Review

2.1 Financial Results

The income over the recurrent expenditure of the Council for the year ended 31 December 2019 was Rs. 44,989,005 and the corresponding income over the recurrent expenditure of the preceding year was Rs. 56,421,164 as per the financial statements presented.

2.2 Revenue Administration

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

The information on estimated income, billed income, collected income and arrears income submitted pertaining to the year under review and for the preceding year are shown below.

Source of income	<u>Year 2019</u>				<u>Year 2018</u>			
	Estimated income	Billed income	Collected income	Total arrears at 31December	Estimated income	Billed income	Collected income	Total arrears as at 31 December
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
I. Rates and taxes	15,271	13,948	13,112	12,757	15,184	16,127	13,905	12,408
II. Lease Rent	17,099	20,095	19,297	1,203	16,458	16,179	16,215	405
III. License Fees	17,383	15,464	15,467	-	17,525	15,118	15,115	3
IV. Other income	132,196	114,595	111,110	36,359	118,697	13,243	38,489	37,925
Total	181,949	164,102	158,986	50,319	167,864	60,667	83,724	50,741

2.2.2 Rates and Taxes

	<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
(a)	The arrears as at 31 December of the year under review was Rs.12,723,248 and out of which a sum of Rs.6,402,773 was relevant to the period for more than one year.	Actions should be taken to recover the arrears as per the provisions of the Act.	The property bans were imposed on 116 rates properties in terms of Section 170 of the Municipal Council Ordinance and actions were taken to recover Rs. 1,754,421 .

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| (b) | There was an arrears balance of rates for more than Rs. 2,798,353 regarding 13 properties . | Actions should be taken to recover the arrears balances. | Arrangements are made taken to recover by sending letters informing the relevant arrears balances . |
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2.2.3 Lease Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
Out of 07 assets of the Council, a sum of Rs. 1,057,789 was in receivable as at 31 December of the year under review.	Actions should be taken to recover the arrears balances.	Arrangements are being taken to recover the arrears.

2.2.4 Court Fines and Stamp Fees

Audit Observation	Recommendation	Comments of the Accounting Officer
The stamp fees receivable from the Chief Secretary of the Provincial Council as at 31 December of the year under review was Rs. 27,672,720. Out of which a sum of Rs. 16,984,667 had been recovered during the year 2020.	Actions should be taken to recover the arrears.	Arrangements are being taken to recover the arrears.

03. Operating Review

3.1 Performance

The matters revealed in respect of executing of functions that should have been performed by the Council such as regulation, control, wellbeing of the public, facility and welfare regarding the matters public health, public utility services and public roads under Section 04 of the Urban Council Ordinance are as follows.

(a) **By-laws**

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Although the By-laws should have been enacted under Section 157 of the Municipal Councils Ordinance to fulfill 15 main factors, the Council had passed by-laws on only 05 issues as at 31 December 2019 .	----- Actions should be taken to impose by-laws on the needs of the Council.	----- Actions will be taken to adopt by-laws applicable to the Council in future.

(b) **Sustainable Development Goals**

Audit Observation	Recommendation	Comments of the Accounting Officer
----- A sum of Rs.10,374,669 had been made available in the year under review for the implementation of projects for 08 identified Sustainable Development Goals identified with aware of the United Nations Agenda 2030 on Sustainable Development Goals.	----- Effective projects should be designed and implemented in line with the Sustainable Development Goals.	----- Comments have not been given.

3.2 **Management Inefficiencies**

Audit Observation	Recommendation	Comments of the Accounting Officer
----- (a) The value of the account balances receivable as at 31 December 2019 was Rs.70,336,952 and out of these balances the value of Rs.29,387,595 for more than one year had not been recovered.	----- Actions should be taken to recover the balances receivable.	----- It is informed that the actions are being taken to recover and court fines have already been received by now.

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| <p>(b) The balances accounts payable as at 31 December 2019 was Rs. 57,163,986.</p> | <p>Action should be taken to settle the balances payable.</p> | <p>It is informed that out of the balances of accounts payable, a sum of Rs.9,622,124 is the value to be repaid after the end of the contract period.</p> |
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3.3 Human Resource Management

	Audit Observation	Recommendation	Comments of the Accounting Officer
(a)	There were 37 vacancies for 02 posts at the tertiary level, 10 posts at the secondary level and 25 posts at the primary level as at 31 December of the year under review,	Actions should be taken to fill the essential vacancies.	Relevant applications have been submitted for obtaining approval to make recruitments for secondary and tertiary level posts. It has been published in the Gazette on 09.08.2019 for the 25 vacancies at the primary level and relevant interviews have been conducted and relevant recommendations have been obtained and submitted for approval.
(b)	The number of recruitments exceeding the approved staff was 13.	Excess recruitments should be limited.	It could be able to fill the above primary level vacancies as soon as the recruitment is approved and it is informed that the posts recruited exceeding the approved staff will be removed accordingly.

3.4 Assets Management

3.4.1 Assets not Acquired

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Five assets items that had been accounted for and six acres of land where the Waste Management Center was located had not been acquired.	----- Arrangements should be made to taken over.	----- Arrangements are being made to obtain information from vehicle manufacturers on the vehicles that could not be found, and to prepare a file and to insure uninsured vehicles.