

**Embilipitiya Urban Council**  
**Ratnapura District**

**1 Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2019 had been presented to audit on 13 March 2020 and the summary report and the Detailed Management Report of the Auditor General on the financial statements had been issued to the Chairman on 24 June 2020.

**1.2 Qualified Opinion**

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion Section of this report, the financial statements give a true and fair view of the financial position of the Embilipitiya 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**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) The balance of the land and buildings had been overstated by Rs.23,000,000 as at the end of the year under review.	The value of the land and buildings should be brought to account correctly.	Action will be taken to rectify in future.
(b) The works costing Rs.5,497,843 executed during the year had not been capitalized.	The cost of respective work should be capitalized.	Action will be taken to capitalize those works.
(c) The value of machinery and equipment had been understated by Rs.1,577,685 as at the end of the year under review.	The value of machinery and equipment should be brought account correctly.	Action will be taken to rectify.
(d) The recurrent expenditure relating to 03 objects had been overstated by Rs.538,034 in the accounts.	The expenditure relating to the year should be correctly identified and brought to account.	Action will be taken to rectify when preparing financial statements in the subsequent year.

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| (e) | The receivables relating to 07 works executed on the provisions of Provincial Councils and payables to contractors amounting to Rs.6,801,015 had not been brought to account.               | The revenue and expenditure relating to the year should be identified correctly and the accounts should be prepared.          | Accepted, that a posting error in accounting has been made.                      |
| (f) | The fixed deposit interest relating to the year under review had been understated by Rs.111,033.  | Interest of deposits relating to the year should be brought to account correctly.   | That will be rectified in preparing financial statements in the subsequent year. |
| (g) | A difference of Rs.2,658,780 was observed between the balance of revenue contribution to capital outlay account and the balance of the fixed assets as at the end of the year under review. | The balance of the non-current assets and the balance of revenue contribution to capital outlay account should be reconciled. | Action will be taken to rectify in the subsequent year.                          |

#### 1.4 Non-compliances

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

The Instances of non-compliance with laws rules regulations and management decisions are given below.

<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Non-compliance</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial Regulation 371 (2)(c)	Action had not been taken to settle the advances granted in 06 instances totalling Rs.400,725 during the period from the year 2007 to 2010.	Action should be taken in terms of Financial Regulations	The respective parties had been informed but the advances could not be settled.

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| (b)  | Public Administration<br>Circulars  |   |   |  |
| (i)  | Paragraph 3.1 of the Circular No.30/2016 dated 29 December 2016.            | Fuel consumption tests of 04 motor vehicles belonging to the Council had not been carried out.  | Fuel consumption tests should be carried out in terms of the provisions of the circulars.                               | Fuel consumption tests will be carried out immediately.                |
| (ii) | Circular No.02/2018 dated 24 January 2018.                                  | The performance agreements that should be signed annually for the staff had not been signed even by the end of the year under review. | The performance agreements should be signed in terms of the provisions of circulars.                                    | Action will be taken to sign performance agreements for the year 2020. |
| (c)  | National Budget Circular No.02/2017 dated 25 July 2017.                     | Output indicators and main performance indicators relating to the output of the institutional role had not been identified.           | Action should be taken to identify respective indicators in terms of the provisions of the circular.                    | Action will be taken to prepare relevant indicators in future.         |
| (d)  | Local Government Circular No.2018/e-Local Government 01 dated 19 July 2018. | The Council had failed to establish required facilities for providing opportunity to apply services through internet to the client.   | Action should be taken in terms of the provisions of the circular and should provide required facilities to the client. | Agreed with the audit query.   |

## **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 2019 amounted to Rs.27,453,244 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.25,500,993.

## 2.2 Revenue Administration

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

The information relating to the 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	2019				2018			
	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.
Rates and Taxes	17,958,000	18,301,926	14,249,837	44,848,833	18,056,000	17,749,272	17,749,272	41,072,688
Lease Rent	21,540,500	17,863,155	16,738,903	9,889,337	14,252,200	15,312,341	15,312,344	8,270,985
Licence Fees	3,582,000	3,044,889	2,412,339	201,500	2,022,800	2,523,479	2,523,479	-
Other Revenue	<u>16,891,700</u>	<u>19,024,056</u>	<u>33,892,664</u>	<u>4,569,928</u>	<u>11,019,700</u>	<u>13,285,992</u>	<u>13,285,992</u>	<u>7,497,459</u>
	<b><u>59,972,200</u></b>	<b><u>58,234,026</u></b>	<b><u>67,293,743</u></b>	<b><u>59,509,598</u></b>	<b><u>45,350,700</u></b>	<b><u>48,871,084</u></b>	<b><u>48,871,087</u></b>	<b><u>56,841,132</u></b>

### 2.2.2 Rates and Taxes

#### **Audit Observation**

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 The balance of arrears of rates amounting to Rs.44,848,833 as at the end of the year under review had included the balances totalling Rs.38,807,096 older than 05 years. Action had not been taken by the Council to recover those arrears in terms of section 170 of the Urban Council ordinance.

#### **Recommendation**

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 Action should be taken to recover arrears of revenue.

#### **Comments of the Accounting Officer**

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 Action will be taken to recover arrears of rates and taxes.

### 2.2.3 Other Revenue

#### **Audit Observation**

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 (a) The balance of arrears of trade stall rent amounting to Rs.3,194,281 as at the end of the year under review had included the balances totalling Rs.2,354,625 older than 05 years. Adequate action had not been taken by the Council to recover those arrears.

#### **Recommendation**

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 Legal action should be taken in respect of arrears of revenue which could not be recovered.

#### **Comments of the Accounting Officer**

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 Action will be taken to recover in future.

- (b) The Council had failed to recover the arrears of trade stalls rent of the bus stand amounting to Rs.2,451,402 and the arrears of trading places rent amounting to Rs.3,374,350 as at the end of the year under review.
- Legal action should be taken in respect of arrears of revenue which could not be recovered.
- After informing them, that action will be taken to seal the trade stalls for which are not paying arrears of trade stall rent, they had agreed to pay arrears at the rate of Rs.10,000 monthly. But arrears for one month only had been paid.

### 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 of public health, public utility services and Public roads and the comfort, facilities and wellbeing of the people under Section 4 of the Urban Council Ordinance are given below.

#### (a) Action Plan

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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Eighteen works out of 44 development works included in the annual action plan and the budget had not been executed as at the end of the year under review while 28 development works which had not included in the plan totalling Rs.26,255,324 had been executed.	Annual action plan and the budget should be utilized as an effective instrument of financial control.	The development proposals given by the public representatives for the annual budget are changed in general meetings, instead, other proposals are nominated to execute and approved. Action will be taken to inform respective public representatives thereon in future.

#### (b) Sustainable Development Goals

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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Even though, the Council had aware the 2030 Agenda relating to the Sustainable Development Goals, the long term plans through	Sustainable Development plans should be prepared and implemented.	Action will be taken to prepare plans for the year 2020.

the global indicators for that objectives to upgrade the livelihood and the health of the people of the authoritative area of the Council had not been prepared even by December 2019.

**3.2 Human Resource Management  
Staff Vacancies**

**Audit Observation**

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Eighteen motor vehicles were available in the Sabha but the approved number of drivers amounted to 06. The number of posts of drivers had not been approved as compatible to the requirement of the Council and as such six employees recruited for the labourer posts had been deployed in the posts of drivers.

**Recommendation**

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Action should be taken to approve the posts of drivers as compatible to the requirement of the Council.

**Comments of the  
Accounting Officer**

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Even though, action was taken in respect of that matter, the number of drivers posts had not been approved. As the activities of the Council are compulsory to carry out those work is being done by deploying these labourers.

**3.3 Operating Inefficiencies**

**Audit Observation**

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Written notices only had been sent to respective parties to remove 32 unauthorized constructions within 07 days out of 35 unauthorized constructions identified in the months of March and April 2019. The Council had refused to take legal actions in respect of unauthorized constructions that had not been removed.

**Recommendation**

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The identification of unauthorized constructions, and remove them or regularize them should be done in terms of the provisions referred.

**Comments of the  
Accounting Officer**

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Agreed with the audit observations.

### **3.4 Assets Management**

#### **3.4.1 Assets not Recorded**

##### **Audit Observation**

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Land and buildings totalling Rs.34,773,350 included in the financial statements had not been included in the Register of assets.

##### **Recommendation**

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Register of Assets should be maintained in an updated manner.

##### **Comments of the Accounting Officer**

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The instructions will be given to the subject officer to maintain the Register of Assets in an updated manner and correctly.

#### **3.4.2 Failure to Perform Maintenance and Repairs**

##### **Audit Observation**

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Even though, the gully bowser of the Council had been in non-operative condition from September 2016 it was not repaired even by the end of the year under review and the Council had failed for vesting of its ownership to the Council as well.

##### **Recommendation**

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Action should be taken to solve the problem relating to the ownership of the gully bowser and either to repair it or to dispose.

##### **Comments of the Accounting Officer**

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The tracing of the registered ownership of the bowser is difficult and the repair also is difficult due to the spare parts of the model of the bowser are very rare.

### **3.5 Irregular Transactions**

##### **Audit Observation**

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Despite that, the security officer in charge of the premises of the Council and the premises of weekly fair and the waste yard had not attended for the night supervision works for the period from September 2018 to May 2019, a sum of Rs.262,493 had been paid for that works.

##### **Recommendation**

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The money paid for the duties not executed should be recovered.

##### **Comments of the Accounting Officer**

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Action will be taken to recover that money from the security deposits.

**3.6 Procurements**  
**Contract Administration**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) A contract had been entered into with a farmer organization on 24 June 2010 to develop the road opposite the Embilipitiya Presidents College under 05 stages on the provisions of Rs.2,500,000 received under Maganeguma Rural Development Project in the year 2010 and a sum of Rs.531,567 had been paid as advances from Council funds. As the relevant constructions had been made without a proper standard, the money receivable to the Council under above programme had not been received by the Council. As such, the advances paid, could not be settled.	Action should be taken in respect of responsible parties.	Up to now, it had not been settled.
(b) A sum of Rs.57,506 had been paid for the works not executed in the concreting work of Kodikanda 2 <sup>nd</sup> lane which estimated cost amounting to Rs.1,336,411.	Over payments should be recovered.	Action will be taken to recover over payments.

**4. Accountability and Good Governance**  
**Unresolved Observations**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) The repair of the clock of the clock tower situated in the middle of Embilipitiya Town had been entrusted to a person at an estimated cost of Rs.247,640 deviation from the provisions of Procurement Guidelines. Without a written agreement and a bid security, an advance of Rs.150,000 had been granted on 05 May 2017 but the repair had not been properly done and as such the clock had become an inactive position.	The provisions of the Procurement Guidelines should be followed.	Agreed.



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| (b) | The Council had failed to recover bus parking fees from the Embilipitiya bus stand from the year 2014.  | Action should be taken to recover revenue recoverable to the Council. | The revenue was deprived of due to a problematic situation arised with the Passenger Transport Authority. Required action is being taken to recover that revenue at present. |
| (c) | A commission amount totalling Rs.237,012 had been over paid to the officer who collecting arrears of rates for the period from the year 2014 to 2016 and a sum of Rs.142,743 out of that, had to be recovered.    | Over payments should be recovered expedately.                         | The final notice also sent to the Mr.V.Lokuvithana to recover over payments. But those payments had been defaulted by him upto now.  |
| (d) | Even though, all immovable properties of the authoritative area of the Council should be assessed once in 05 years to recover rates and taxes, an assessment of properties had not been made after the year 2012. | The properties should be assessed once in 05 years.                   | The written requests had been made to the Department of Valuation in several times and they had accepted to do the assessment of rates in the future period accordingly.     |