

**Kuliyapitiya Urban Council**  
**Kurunegala District**

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**1. Financial Statements**

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**1.1 Presentation of Financial Statements**

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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 was issued to the Chairman of the Council on 30 October 2018.

**1.2 Qualified Opinion**

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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 Kuliyapitiya 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**

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**1.3.1 Accounting Policies**

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The policy for accounting of stamp fees revenue had not been disclosed in the financial statements.

**1.3.2 Accounting Deficiencies**

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The following matters were observed.

- (a) The value of the hand tractor with the grass cutter machine purchased for a sum of Rs.91,335 in the year 2004 had not been brought to account.
- (b) Even though, the balance of the cash book of special account as at 31 December of the year under review amounted to Rs.11,987,227 it was shown as Rs.11,914,628 in the financial statements.

**1.3.3 Unreconciled Accounts**

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A difference of Rs.2,832,034 was shown between the balances as per the financial statements and the balances of the registers relating to 05 items of accounts as at the end of the year under review.

### 1.3.4 Accounts Receivable and Payable

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#### (a) Accounts Receivable

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The age analysis had not been furnished for the accounts receivable of Rs.2,542,066 out of the accounts receivable amounting to Rs.90,969,435 as at 31 December of the year under review and a sum of Rs.29.2 million had been the balances remained outstanding for over a period of 01 year.

#### (b) Accounts Payable

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The balances that remained unsettled for over 01 year amounted to Rs.10.7 million out of the accounts payable of Rs.71,702,489 as at 31 December of the year under review,.

### 1.3.5 Lack of written evidence for Audit

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Two items of accounts totalling Rs.14,696,284 could not be satisfactorily verified in audit due to non-availability of required information.

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

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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>Value</b>	<b>Non-compliance</b>
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	Rs.	
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial Regulation 571(1)(2)(3)	4,413,426	Action had not been taken on deposits older than 02 years.
(b) Treasury Circular No.IAI/2002/02 dated 28 November 2002.	2,545,667	A Register of Fixed Assets in respect of Computers, Accessories and Software had not been maintained.

## 2. Financial Review

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### 2.1 Financial Results

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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.60,375,416

as compared with the excess of revenue over recurrent expenditure of the preceding year amounting Rs.56,548,493.

## 2.2 Revenue Administration

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

The information with regard to the estimated revenue, billed revenue, collected revenue and the arrears of revenue furnished for the year under review and for the preceding year is given 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.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
(i) Rates and Taxes	15,034	15,370	12,229	13,309	14,984	793	16,044	11,853
(ii) Lease Rent	15,702	15,810	3,230	590	14,560	14,372	9,544	3,049
(iii) Licence Fees	15,455	16,079	16,079	-	15,478	16,224	2,002	-
(iv) Other Revenue	110,722	118,105	85,160	77,070	26,357	125,939	16,980	63,066
<b>Total</b>	<b>156,913</b>	<b>165,364</b>	<b>116,698</b>	<b>90,969</b>	<b>71,379</b>	<b>157,328</b>	<b>44,660</b>	<b>77,968</b>

#### Note :

The arrears of receipts amounting to Rs.8 million relating to the preceding years also had included in the revenue collected in the year under review.

### 2.2.2 Performance in Collection of Revenue

A sum totalling Rs.116 million had been recovered from the billed revenue of Rs.165 million for the year under review and from the arrears of preceding years amounting to Rs.77 million. The arrears as at 31 December of the year under review amounting to Rs.77 million had increased up to Rs.90 million as at 31 December of the year under review.

### 2.2.3 Rates and Taxes

The following matters were observed.

- (a) The arrears of rates as at 31 December of the preceding year amounting to Rs.8,285,262 had increased up to Rs.10,755,408 as at 31 December of the year under review.

- (b) Due to the weaknesses in the software used by the Sabha to compute rates and taxes, there were difficulties such as the bills issued for the numbers not included in the register of Rates and the bills not issued for the numbers included in the Register and non-availability of age analysis for the arrears of rates and taxes.

#### **2.2.4 Lease Rent**

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A sum of Rs.590,587 had remained recoverable by the end of the year under review from 06 leased out assets belonging to the Sabha.

#### **2.2.5 Court Fines and Stamp Fees**

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The courts fines and stamp fees receivable from the Provincial Chief Secretary as at 31 December 2017 amounted to Rs.15,333 and Rs.15,872,720 respectively.

### **3. Operating Review**

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#### **3.1 Performance**

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The matters revealed in respect of execution of activities that could be executed under Section 4 of the Urban Council Ordinance 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 are given below.

##### **(a) By-laws**

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By-laws should have been imposed by the Council to execute 15 major activities under Section 157 of the Urban Council Ordinance. Nevertheless, the Council had imposed by-laws for 04 matters only even by 31 December 2017 and the by-law passed in respect of Local Authorities No.06 of 1952 had been embraced by the Council.

##### **(b) Non-execution of Expected Benefits**

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The following matters were observed.

- (i) The water could not be given to the houses in the public land of Pallapitiya from the water tank constructed by incurring Rs.1,500,000 in the year 2015.
- (ii) The scattered water line system constructed in the Solid Waste Management Centre by incurring Rs.1,051,444 under the Provincial Specific Development Grants and the Sabha funds in the year under review had remained non-operative from the date of work completed at the end of the year 2017.

##### **(c) Non-execution of Expected Output Level**

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The sewerage treatment unit reconstructed by incurring Rs.1,175,000 in the year 2016 had not been operated even by the end of the year under review.

**(d) Solid Waste Management**  
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The following matters were observed.

- (i) The land of 06 acres on which the Solid Waste Management Centre situated had not been vested with the Sabha, while a sum of Rs.41,127,295 had been incurred to construct various buildings thereon from the year 2016.
- (ii) Fifty five health labourers had been deployed in the service for the management of 07 tons of waste collected per day and 106,945 kilograms of organic fertilizer had been produced up to September of the year under review.
- (iii) Even though, the recurrent expenditure for the waste management in the year under review had been Rs.21,825,917 the matters such as non-adequacy of production of organic fertilizer, the problems in recycle of solid waste, non-operating of sewerage treatment unit properly and non-utilization of bio gas system adequately had existed.

**(e) Environmental Problems**  
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In examination of Kuliypitiya Solid Waste Management Centre on 18 May 2018 it was observed an excessive dirty smell spreading from the place of killing pigs of the premises of the land of the Centre and the environment around while a proper drainage system and a pit had not been constructed for running of waste water and sewage. A sewerage treatment unit had been established in the slaughter house but the treatment tanks are being over flowing in rainy days.

**(f) Sustainable Development Goals**  
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The Sabha had aware in respect of 2030 Agenda on Sustainable Development Goals of the United Nations Organization through the public media but the internal circulars/ Guidelines in respect of implementation of Sustainable Development Goals had not been issued.

**3.2 Human Resources Management**  
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The following matters were observed.

- (a) Vacancies existed in Tertiary, Secondary and Primary Levels as 01, 21 and 19 respectively while excesses of 20 employees had existed in Secondary and Primary levels as at the end of the year under review. According to the Public Administration Circular No.25/2014, 10 employees who had been given permanent status had not been deployed in the specific duties.

- (c) Contrary to the Public Administration Circular No.25/2014 dated 12 November 2014 the permanent appointments had been given to 06 employees who had not completed the required qualifications.

### **3.3 Operating Inefficiencies**

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Two hundred and twenty nine trade stalls belonging to the Sabha had been leased out without agreements and 03 assets had not been leased out for the year under review.

### **3.4 Assets Management**

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

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According to the Boards of Survey Reports for the year under review, about 1,245 goods of 140 items of assets had not been recorded.

#### **3.4.2 Not confirmed the Security of Assets**

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A bob cat machine and a road roller valued at Rs.5,806,850 belonging to the Sabha had been parked in the insecured places of external institutions.

#### **3.4.3 Idle/ Under-utilized Assets**

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Five items of assets amounting to Rs.77,357,900 and 01 item of asset of which the value not mentioned had remained idle for over a period ranging from 02 years to 24 years.

#### **3.4.4 Annual Boards of Survey of Goods/ Stocks**

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According to the Report of the Boards of Survey, it was pointed out 23 errors making in stock control and, 17 proposals had been furnished to minimise those errors, but action had not been taken accordingly.

### **3.5 Uneconomic Transactions**

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Despite, that 07 watchers had been deployed in the service of the Sabha, a sum of Rs.2,574,414 had been paid to a private institution of security services for obtaining a security service to the Sabha.

### **3.6 Motor Vehicle Utilization**

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The following matters were observed.

- (a) A sum of Rs.508,786 had been paid in 2 instances in September 2016 without the recommendation of the Mechanical Engineer for repairing of vibrated road roller which remained in non-operative condition. After the service period of 40 machine hours, the road roller had become an inactive condition and it was handed over to an unregistered private institution for repairs at an estimate of Rs.1,011,000 but the

respective equipment had been dismantled into parts and kept insecurely in a garage even by 18 May 2018.

- (b) A sum of Rs.317,140 had been incurred in the year under review for the repairs of 13 items of the Bob cat machine belonging to the Sabha without the recommendation of the Mechanical Engineer. But that machine had been sent to another private garage by mentioning that above repair had not been made properly.

### **3.7 Procurements**

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#### **3.7.1 Contract Administration**

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The parapet wall of the weekly fair and the roof of the trade stalls constructed by incurring Rs.2,000,000 had not been constructed in proper standard.

### **4. Accountability and Good Governance**

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#### **4.1 Budgetary Control**

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The variances ranging from 20 per cent to 74 per cent were observed between the estimated provision and the actual expenditure of 06 Objects in the year under review.

#### **4.2 Internal Audit**

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The internal audit reports for the year under review had not been furnished to the Auditor General.

### **5. Systems and Controls**

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The 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.

<b>System</b>	<b>Deficiency</b>
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(a) Accounting	Failure to update the books of accounts and registers.
(b) Control of Assets/ Properties	(i) Not recorded. (ii) Not ensured security.
(c) Stock Control	(i) Not recorded. (ii) Irregular control of stocks.
(d) Creditors/ Debtors Control	(i) Non-preparation of schedules. (ii) Non-preparation of age analysis. (iii) Failure to take action to settle the balances existed in long term.
(e) Staff Administration	Failure to fill vacancies.
(f) Projects/ Contracts	Carrying out projects not budgeted.