

Nawalapitiya Urban Council

Kandy District

1. Financial Statements

1.1. Presentation of Financial Statements

The financial statements for the year under review had been presented for audit on 26 March 2014 and the financial statements for the preceding year had been presented on 28 March 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Council on 09 December 2014.

1.2. Opinion

Except for the effects on the financial statements of the matters referred to in Paragraph 1.3 of this report, I am of opinion that the financial statements have been prepared in accordance with the 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 2013 and the financial result of its operations and cash flows for the year then ended.

1.3. Comments on Financial Statements

1.3.1. Non-compliance with the Accounting Standards

The value of lands and buildings owned by the Town Council had not been brought to account.

1.3.2. Accounts Receivable and Payable

a) Accounts Receivable

The value of balances of account receivable as at 31 December 2013 amounted to Rs.25,482,726 and out of this, total account balances exceeding 1 year, amounted to Rs.17,411,531, and of this a sum of Rs.16,936,530 was further due as at 15 July 2014.

b) Accounts Payable

The value of balances of accounts payable as at 31 December 2013 amounted to Rs.26,839,705, and out of this, Rs.12,483,288 represents balances for over 1 year.

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 2013 amounted to Rs. 12,376,377 as compared with the excess of revenue over recurrent expenditure amounting Rs.9,729,837 for the preceding year. Therefore the financial result had been improved by Rs.2,646,540.

2.2. **Analytical Financial Review**

The surplus for the year under review had been increased by Rs.8,337,250 as compared with the surplus for the preceding year. The primary causes for this had been the overall increase in income in the range of 16% to 34% with respect to 04 items of income, and the decrease of expenditure in the range of 21% to 44% with respect to 02 items of expenditure in the year 2013.

2.3. **Working Capital Management**

The ratio between total current assets and current liabilities was 2.5:1, showing a superior level, whilst 50% of the current assets represent revenue debtors. Further 63% of the total current liabilities consisted of creditors, and of this 61% represent works creditors.

2.4. **Revenue Administration**

a) **Rates and Taxes**

The following matters are observed.

- (i) The arrears at the beginning of the year under review amounted to Rs.11,236,364 and out of this, a sum of Rs.4,003,455, representing only 36% had been recovered.
- (ii) The amount billed for the year was Rs.12,991,212, and out of this, a sum of Rs.7,483,715 representing 57% had been collected.

The overall arrears at the end of the year amounted to Rs.12,740,406, and action had not been taken in accordance with the provisions in the Town Council Act, to collect the rates and taxes, which is the main source of revenue of the Council.

b) Lease Rent

The stall rent in arrears as at 31 December 2013 amounted to Rs.3,318,866 and out of this value, Rs.1,611,091 represents the arrears due from stalls in the Super Market Complex. This arrears includes; a sum of Rs.481,159 due from 25 leaseholders of stalls, since 2011; and Rs.350,282 due from 40 leaseholders of stalls for the year 2012. The officers responsible had not paid adequate attention to recover this money.

c) Vehicle Parking Fee

The parking fee in arrears due from vehicle-parks as at 31 December 2013 amounted to Rs.642,350.

The following matters are observed.

- (i) The amount billed for Van-parks amounted to Rs.511,200 and out of this, Rs.135,600 representing only 26% had been collected during the year.
- (ii) The amount billed for Lorry-parks amounted to Rs.384,000 and out of this, Rs.253,600 representing only 66% had been collected during the year.
- (iii) The amount billed for Three-Wheeler-parks amounted to Rs.2,905,200 and out of this, Rs.2,660,850 had been collected. The amount further overdue was 08%

d) Court Fines and Stamp Fees

The court fines and stamp fees, receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2013 had been Rs.162,831 and Rs.1,687,650 respectively. The court fines and stamp fees amounting to Rs.342,000 remained unrecovered further as at 30 May 2014.

3. Operating Review**3.1. Management Inefficiencies**

The amount of cash deposited in the bank on 22 September 2011, had been Rs.41,997 less than the correct amount, and the Council had not taken any action on this even as at 30 June 2014.

3.2. Uneconomic Transactions

The Chairman and the Vice Chairman of the Council had attended the 8th Conference on Peace for Mayors held in Japan, and a sum of Rs.892,807 had been spent from Council Funds for this, without allocating provisions in the annual budget of the Council. The purpose of the Conference had been to discuss about the actions to be taken, to eliminate nuclear weapons by 2020. Since utilization of nuclear weapons are not taking place in Sri Lanka, the benefits receive by the Council by 2020, spending this amount of money from Council funds, were not revealed in the audit.

4. Accountability and Good Governance

4.1. Budgetary Control

When the budget for the year under review was compared with the actual values in the financial statements for the year, variances in the range of, 22% to 103% in respect of income and 33% to 102% in respect of expenditure were observed.

4.2. Internal Audit

Adequate internal audit had not been carried out by the Council during the year under review.

4.3. Audit and Management Committees

Audit and Management Committees had not been held during the year under review.

5. Systems and Controls

Special attention is needed in respect of the following areas of systems and controls.

- a) Accounting
- b) Budgetary Control
- c) Revenue Administration
- d) Assets Management