

Kandy Municipal Council

Kandy District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 28 March 2013 and the financial statements for the preceding year had been presented on 30 March 2012. The report of the Auditor General for the year under review was issued to the Mayor on 11 November 2013.

1.2 Opinion

In view of the comments and observations appearing in my report I do not express an opinion on the financial statements of the Kandy Municipal Council for the year ended 31 December 2012 presented to audit.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following observations are made.

- (a.) Expenditure amounting to Rs.1,935,684 incurred under payments in advance during the years 1994 to 2009 had continued to be shown under current assets, without being adjusted to the expenditure accounts of the respective years.
- (b.) Aid in materials valued at Rs.260,000 received during the year 2012 from the Commissioner of Local Government in respect of providing drugs for the free Ayurvedic Dispensaries had not been brought to accounts under stock of material aid account and revenue aid account.

1.3.2 Unreconciled Control Accounts

The balances as per accounts in respect of 03 items of accounts amounted to Rs.202,460,489 and the total of balances of those accounts as per subsidiary registers amounted to Rs.139,649,111.

recovery of charges in respect of providing space for transmission towers for the period of preceding 03 years itself.

2.3.6 Lease of Weekly Fair, Bogambara

The following observations are made.

- (a.) According to Condition No.02 of the Lease Agreement for recovery of charges from the weekly fair Bogambara; the total amount of lease should be paid within 03 months from the date of agreement. Contrary to this, payments had been made after a delay of 40 days. But, action had not been taken on this delay in terms of the agreement.
- (b.) Charges for daily waste recover from the lessee had remained unchanged since year 2009 and although the cost of collection and disposal of waste had increased, the Council had not taken action to revise these charges accordingly. Therefore, the council had lost income that could have been earned.
- (c.) A sample check carried out within the area limits of the Council revealed that there were 58 business entities which had run without paying business tax. Therefore, Council had deprived of an income about Rs.290,000 for the year under review.

2. .7 Environment Licence Fees

The Council had deprived of an income about Rs.1,428,200 from the business entities which had not obtained environment licence for the year 2012.

2. .8 Hoardings

The Council had lost an income about Rs.2,878,963 due to non-recovery of hoarding charges in terms of Gazette Notification No.1785 dated 16 November 2012 of the Republic of Sri Lanka.

2.4 Irregular Transactions

Purchase of Vehicles for Transport of Waste

The Rio Graphic Company had quoted prices I R U 3 & R P S Z K L F K L V D Q H Z S U R C of China and the Technical Evaluation Committee had pointed out that there will be problems in spare parts for this vehicle in the local market and the maintenance. But without considering the above, 04 vehicles of this model had been purchased during the year under review at a cost of Rs.26,864,588. These vehicles subjected to serious defects since very beginning and as a result the supplier had replaced clutch plate, Hydraulic Jack, Clutch Pump, Jack Oil Ceal, Oil Filter and Diesel Filter. The Council had spent a sum of Rs.360,369 for repairs during the first 10 months.

Two vehicles of this had been withdrawn from running for repairs by 21 February 2013; the date of audit check and one vehicle had repaired after importing spare parts due to non-availability of necessary accessories in the local market. Further it had been given for repairs again after performing one journey.

2.5 Operating Inefficiencies

The following observations are made.

- (a.) Government contribution amounting to Rs.3,429,252 had been paid from the Council fund in year 2011 and 2012 for the interest on property loans given to employees and this money had not been get reimbursed.
- (b.) The loss of Rs.380,460 suffered by the Council due to a vehicle accident occurred prior to 10 years had continued to be shown in the accounts as revenue in arrears without following a proper procedure to recover it.
- (c.) A sum of Rs.43,599,525 due to the Council and electricity debtors amounting to Rs.50,443,104 existed at the handing over of the electricity system of the Council to the Ceylon Electricity Board in 1995 had continued to be shown in the accounts as assets of the Council without being settled.
- (d.) Water charges amounting to Rs.34,567 for the period 18 January to 06 August 2008 recoverable to the Council from a Family Health Nurse retired on 20 April 2013 had not been recovered from her salary or pension gratuity.

2.6 Solid Waste Management

The Resource Centre began within the city to collect and sell the materials which can be recycle had earned a sales income of Rs.5,932,695 as at 31 December 2012; and a sum of Rs.5,483,220 had been spent to purchase the materials. The income earned and expenditure had not been brought to account under income and expenditure of the Council. Cash handling at the collection centres had been entrusted to 03 casual employees and a sum of Rs.460,000 handed over to the Council relating to the above during the year under review had been shown under deposits account. Therefore, proper safety measures had not been followed on public money.

3. Systems and Controls

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

- (a.) Accounting
- (b.) Internal Control
- (c.) Revenue Administration
- (d.) Assets Management
- (e.) Stores Administration.