

Nawalapitiya Urban Council

Kandy District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements of the year under review had been presented to audit on 28 March 2012 and the financial statements for the preceding year had been presented on 22 March 2011. The report of the Auditor General for the year under review was issued to the Chairman of the Council on 21 September 2012.

1:2 Opinion

In view of the comments and observations appearing in my report forwarded to the Chairman, I am unable to express an opinion on the financial statements of the Nawalapitiya Urban Council for the year ended 31 December 2011 presented for audit.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following observations are made.

- (a) Asset valued at Rs. 1,004,108 purchased in the years 2010 and 2011 had not been accounted as fixed assets.
- (b) Although the value of verified stocks should be shown in the financial statements, the ledger balance of Rs. 11,583,543 as at end of the year under review had been shown as the value of stocks.
- (c) The total of the credit balances of suspense accounts as at 31 December 2011 amounted to Rs. 305,978

1.3.2 Lack of Evidence for Audit

Transactions totalling Rs. 24,604,530 could not be satisfactorily vouched in audit due to the non - submission of required information to audit.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over the recurrent expenditure of the Sabha for the year ended 31 December 2011 amounted to Rs.5,705,142 as compared with the excess of revenue over recurrent expenditure amounting to Rs.8,376,974 for the preceding year.

2.2 Financial Control

The daily receipts of the Council on 22 September 2011 had been banked less by Rs. 41,997 and action had not been taken against the officers responsible for it even up to 07 August 2012,

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information relating to the estimated revenue, the actual revenue and the arrears of revenue for the year under review and the preceding year as presented by the Chairman is given below.

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i) Rates and Taxes	10,626	10,674	8,653
(ii) Lease Rent	13,078	14,146	2,364
(iii) Licence Fees	905	1,132	-
(iv) Other Revenue	3,065	5,485	8,160

2.3.2 Stamp Fees

Stamp fees receivable from the Chief Secretary of the Provincial Council as at 31 December 2011 amounted to Rs. 2,500,000

2.3.3 Water Charges

Recovery of water charges during the year was at a very low level of about 13% and the amount outstanding as at 31 December 2011 was Rs. 737,852

2.3.4 Stall Rent

A super Market Complex had been constructed at an expense of Rs. 209 million in the year 2009 and of these, 13 trades stalls had not been leased out for business purposes through tenders even up to 30 July 2012. The amount recoverable by the Council from these stalls as at 31 December 2011 was Rs. 13,350,000

2.4 Irregular Transactions

The following observations are made.

- (a) A sum of Rs. 44,264 had been spent out of the Council fund during the year under review on a decision made by the Council to provide uniforms to the staff who were not entitled for uniforms
- (b) An amount totalling Rs.68,500 made up of Rs.17,000, Rs.10,000 and Rs.39,500 had been spent for cultural ceremonies, religious activities and sports, other functions and competitions respectively during the year under review without the written approval of the Minister contrary to Section 159(F) of the Urban Councils Ordinance.
- (c) According to the Public Finance Circular No PF/437 dated 18 September 2009 of the Secretary to the Treasury, the insurance needs for the vehicles owned by all the government and semi-government institutions should be obtained from the

National Insurance Trust. Fund or the National Insurance Corporation. Nevertheless, a sum of Rs. 342,300 had been paid to a private insurance company to fulfill the insurance needs of the Council contrary to the above instructions.

- (d) A sum of Rs. 158,644 had been paid during the year under review for vehicles obtained on hire to carry out activities of the Council and it was observed that the procurement procedure had not been followed in obtaining these vehicles. Further, the official necessity for using some vehicles had not been mentioned.

2.5 Operating Inefficiencies

The following observations are made

- (a) The cab bearing No 50-4770 owned by Council had remained idle for more than one year and action had not been taken to use the vehicle after carrying out repairs or to auction the vehicle.
- (b) A surcharge of Rs. 30,010 had been paid due to non-payment of contributions to the Employees' Provident Fund in respect of 02 female employees serving in the Council.
- (c) Casual labourers had been employed on the days on which the permanent labourers of the Council were on leave and it was observed that casual labourers had been employed for days more than the permanent labourers were on leave and that a sum of Rs. 3,867,948 had been paid out of the Council Fund.

3. Systems and Controls

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

- (a) Budgetary Control
(b) Revenue Administration.
(c) Assets Management
(d) Human Resources Management
(e) Stores Control
(f) Vehicle Utilization