

Peliyagoda Urban Council

Gampaha District

1. **Financial Statements**

1.1 **Presentation of Financial Statements**

The financial statements for the year under review had been presented to audit on 05 June 2013 and the financial statements for the preceding year had been presented on 29 February 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Council on 22 January 2014.

1.2 **Opinion**

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Peliyagoda Urban Council had maintained proper accounting records for the year ended 31 December 2012 and except for the effects on the financial statements of the matters referred to in my report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Peliyagoda Urban Council as at 31 December 2012 and the financial results of its operations and cash flow statements for the year then ended.

1.3 **Comments on Financial Statements**

1.3.1 **Accounting Deficiencies**

The following deficiencies were observed.

- (a) The balance stocks of electrical, general and health divisions amounting to Rs.5,000,541 had not been accounted separately.
- (b) Payments amounting to Rs.2,175,353 made during the year under review in respect of 13 creditors had been debited to the debtors account, instead of being debited to the creditors account.
- (c) Recovery of financial aid loans of the Provincial Revenue Office (Stamp Revenue) in respect of 2009 and 2010 amounted to Rs.3,377,795 and it had been shown in the accounts during the year under review as Rs.2,399,700 by Journal

Entry No.29. Therefore, the balance of the loan account had been overstated by Rs.978,095.

- (d) A sum of Rs.311,088 received for 02 dishonoured cheques during the preceding year had not been credited to the dishonoured cheques account and therefore, the balance of payments in advance had been overstated by a similar amount.

1.3.2 **Lack of Evidence for Audit**

(a) **Un – answered Audit Queries**

Replies to 05 audit queries had not been furnished as at 31 December 2012. The value of quantifiable transactions relating to the audit queries amounted to Rs.1,492,873.

(b) **Non – submission of Information to Audit**

Transactions totaling Rs.355,198,874 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 recurrent expenditure of the Council for the year ended 31 December 2012 amounted to Rs.32,600,615 as against the excess of recurrent expenditure over revenue amounting to Rs.5,555,731 for the preceding year.

2.2 **Financial Control**

Action had not been taken in terms of Financial Regulation No.396(c) of the Republic of Sri Lanka in respect of 14 cheques valued at Rs.45,083 which had lapsed 06 months and action had not been taken to recover the dishonoured cheques valued at Rs.495,045 in terms of Financial Regulation 189 and 486.

2.3 **Revenue Administration**

2.3.1 **Estimated Revenue, Actual Revenue and Arrears of Revenue**

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

	Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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		Rs.'000	Rs.' 000	Rs. '000
(i)	Rates and Taxes	58,485	59,331	40,653
(ii)	Lease Rent	2,278	1,519	644
(iii)	Licence Fees	1,854	1,413	1,714
(iv)	Other Revenue	26,119	9,500	115

The following observation are made.

- (a) Although Rs.26 Million had been estimated as other revenue for the year under review, the actual amount received amounted to Rs.9.5 million showing a decrease of Rs.16.5 million.
- (b) According to Section 164(2) of the Urban Council Ordinance (Chapter 255) a charge of 1% should be recovered from the annual turnover of the hotels, eating houses and lodgs. But a charge of Rs.3,000 each had been recovered from 05 eating houses during the year under review.
- (c) According to Section 170(a)(2) of the Urban Council Ordinance it is the duty of the Secretary to take all necessary action to recover charges and other payments due to the Council and credit to the Urban Council Fund. Nevertheless, effective action had not been taken to recover rates amounting to Rs.40,652,618; lease rent amounting to Rs.644,176 and licence fees amounting to Rs.174,212 due as at end of the year under review.

2.4 **Surcharges**

According to the surcharges levied by me in terms of the provisions of Section 182(1) of the Urban Council Ordinance (Chapter 255) against the persons responsible, surcharges of Rs.138,009 had been recoverable as at 31 December 2012.

2.5 **Irregular Transactions**

The Council had purchased 02 finger print machines at Rs.94,248 and Rs.67,200 during the year under review. The following observations are made.

- (a) The finger print machine valued at Rs.94,248 had been received to the Stores on 07 August 2012 and as it had become out of order, another machine had been purchased at Rs.67,200 on 22 November 2012.
- (b) Action had not been taken to obtain a guarantee for the machine obtained for the first time.
- (c) Although it was known that the machine received by the Council on 07 August 2012 has been out of order; a sum of Rs.94,248 had been paid for the same on 18 September 2012.

2.6 **Employees Loans Recoverable**

The total of the employees loans recoverable as at 31 December 2012 amounted to Rs.15,049,472 and this included a balance of Rs.805,125 not recovered for over a long period.

2.7 **Solid Waste Management**

The Commissioner of Local Government (Western Province) by his letter No. LGD/05/08/පොදු වෙළුම dated 21 December 2010 had informed that all the Local Authorities should implement the Solid Waste Management Rules No. 01 – 2008 published in the Gazette No.1560/6 dated 30 July 2008. Nevertheless, the Council had not implemented those rules. Revenue on this had not been estimated for the year under review and an expenditure of Rs.7,700,000 had been estimated. Therefore, the Urban Council had deprived of revenue that should have been received as shown below.

- (a) Charges mentioned in Schedule 1 to cover the door –to-door waste collection expenses in addition to the rates and taxes paid to the Local Authority had not been collected by the Council in terms of Rule No. 18(1).

- (b) Charges based on the quantity of waste as mentioned in Schedule 03 had been collected only at certain instances by the Council in terms of Rule No.09.
- (c) The charges for collection of construction related debris had not been collected in terms of Rule No. 20.
- (d) Location fines had not been recovered in terms of Rule No. 21.
- (e) 20% of the income from solid waste had not been credited to the Waste Management Authority Fund in terms of Rule No.22.
- (f) The Urban Council had not organized compost production or technical methods for carbonic biocity waste in terms of Rule No. 59.

2.8 **Internal Audit**

An adequate internal audit had not been carried out by the institution.

2.9 **Corporate Plan**

A corporate plan for a period not less than 05 years had not been prepared in terms of Paragraph 05 of the Treasury Circular No.PED/12 dated 02 June 2003 with a view to achieve the vision and the mission of the Council.

3. **Systems and Controls**

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

- (a) Accounting
- (b) Internal Audit
- (c) Budgetary Control
- (d) Revenue Administration
- (e) Assets Management