

Embilipitiya Urban Council

Ratnapura District

1. Financial Statements

1:1 Presentation of Financial Statements

The financial statements for the year under review had been presented for audit on 28 March 2013 and the financial statements for the preceding year had been presented on 06 March 2012. The report of the Auditor General for the year under review was issued to the Mayor of the Council on 27 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 Embilipitiya 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 Embilipitiya Urban Council as at 31 December 2012 and the financial results of its operation for the year then ended.

1:3 Comments on Financial Statements

1:3:1 Accounting Deficiencies

The following observations are made.

- (a) The balance of Rs.1,052,331 in the Urban Development Authority Account No.045-1-001-5-00410-38 as at 31 December 2012 which had been opened at the Embilipitiya branch of the People's Bank during August of the year under review had not been disclosed in the accounts.

- (b) The revenue from court fines for the year under review, as per information of the Sabha was Rs.3,237,400. The amount adjusted in the accounts was Rs.600,000 alone. As such, the revenue of the year under review had been understated by Rs.2,637,400.
- (c) The stamp fees receivable was Rs.4,078,550 according to the financial statements of the year under review. But, it was Rs.4,668,570 as per records of the Sabha. As such, a difference of Rs.590,020 was observed in the debtors as at that date.

1:3:2 Lack of Evidence for Audit

Transactions aggregating Rs.41,610,009 could not be satisfactorily vouched in audit due to non-remission of necessary information to audit.

2 Financial and Operating Review

2:1 Financial Results

According to the financial statements presented, the revenue exceeding the recurrent expenditure of the Sabha for the year ended 31 December 2012 was Rs.4,165,585 as compared with the revenue exceeding the recurrent expenditure of the preceding year amounting to Rs.11,192,806.

2:2 Revenue Administration

2:2:1 Estimated Revenue, Actual Revenue and Arrears of Revenue

The information relating to the estimated revenue, actual revenue and the arrears of revenue for the year under review, as presented by the Chairman, appear below.

Source of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i) Rates and Taxes	5,529	4,474	1,055
(ii) Lease Rent	7,450	5,163	2,287
(iii) Licence Fees	2,961	1,635	1,326
(iv) Other Revenue	3,822	2,701	1,121

2:2:2 Other Revenue

The following observations are made.

- (a) Action had not been taken to recover the arrears of bus stand amounting to Rs.1,259,334 for the prior 2008 to 2010.
- (b) The estimated revenue from publicity advertisement and hoardings for 2011 was Rs.1,000,000 and the actual receipts for 2012 was Rs.491,402. Accordingly, proper action had not been taken to recover the arrears.
- (c) Action had not been taken to properly recover the entertainment tax from two public cinema halls within the area of the Sabha.

2:2:3 Courts Fines and Stamp Fees

The amount due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2012 appear below.

	Rs.
Court Fees	3,237,400
Stamp Fees	4,668,570

2:3 Idle Resources

The finger print machine purchased by spending Rs.130,666 in 2010 for marking attendance had been set aside as it could not be operated and had become.

2:4 Contract Administration

The following observations are made.

2:4:1 Renovations to Kiralawelkatuwa Old Road by tarring the Road

An agreement had been entered into with a farmer's organization for this work on 05 July 2012. The work had been completed on 29 August 2012 and the value of the work completed was Rs.964,804. The following matters were revealed at the field inspection carried out on 06 August 2013.

- (i) The technical officer had recommended payments for renovating 318 metres of the road by his final payment report dated 30 August 2013. But, a physical verification showed that Rs.54,611 had been paid for 18 metres of road not attended to.
- (ii) Although a sum of Rs.68,006 had been paid for expenditure item No. 10, the item concerned had not been done as estimated.

2:4:2 Renovations to Access Road to the Mahaweli Playground by tarring the Road

An agreement had been entered with a Village Development Society for Rs.279,260 on 28 September 2012 for this work. A sum of Rs.265,425 had been paid in January 2013 for the value of work done.

Although a sum of Rs.14,470 had been paid for 5.27 cubic metres by supplying and spreading 100 mm of stones as per No. 01 and No. 02 of the estimate, a physical verification carried out on 06 August 2013 revealed that the work had not been done.

2:5 Operating Inefficiencies

The following observations are made.

- (a) Action had not been taken to settle the advances aggregating Rs.949,128 even by 30 June 2013, the date of audit, although a period of 1 year and 6 months to 5 years and 10 months had elapsed since payment of advances.
- (b) The minimum balance of the cash book for September of the year under review was Rs.1,643,033 and the maximum balance of Rs.5,059,233 referred to the month of January. The balance as at 31 December 2012 was Rs.2,454,853. As such, action had not been taken to invest the excess cash in fixed deposits so as to earn interest from income to the Sabha.

2:6 Waste Material Management Project

Twenty five bags of 25kg compost fertilizers and 10 bags of 10kg compost fertilizers were lying on the floor about 915 cubic feet of compost fertilizer had been stocked in the stores of the project premises. Meanwhile, the Sabha had not received any revenue from sale of compost fertilizer upto the date of inspection.

3. Systems and Controls

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

- (a) Accounting
- (b) Financial Control
- (c) Revenue Administration
- (d) Contract Administration
- (e) Waste Material Management

