

Kattankudy Urban Council – 2015

Batticaloa District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2015 had been presented to audit on 03 March 2016 and the report of the Auditor General had been furnished to the Secretary of the Council on 29 September 2016.

1.2 Qualified Opinion

Except for the effects of the matters described in Paragraph 1.3 of this report, I am of opinion that the financial statements give a true and fair view of the financial position of the Kattankudy Urban Council as at 31 December 2015 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiency

The interest amounting to Rs. 1,471,241 received since date of deposit year on fixed deposits totalling Rs. 4,000,000 made by the Council had not been brought to accounts.

1.3.2 Unreconciled Control Accounts

Although the staff loan balance as at 31 December 2015 according to the ledger had been Rs. 3,637,758, the balance according to the Staff Loan Register had been Rs. 3,736,008 and as such difference of Rs. 98,250 had not been reconciled.

1.3.3 Accounts Payable

A sum of Rs. 6,642,880 payable to the Water Supply and Drainage Board had been continuously shown in the financial statements without taking action for more than 21 years to settle it.

1.3.4 Non -compliance with Laws, Rules and Regulations.

Action had not been taken up to 31 December 2015 by the Council to publish a summary of the financial statements of the council for the year 2014 in terms of Section 177(2) of the Urban Councils Ordinance (Chapter 255).

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure for the year ended 31 December 2015 amounted to Rs.17,128,498 as compared with the excess of revenue over recurrent expenditure for the previous year amounting to Rs. 12,602,309 thus, indicating an improvement of Rs. 4,526,189 in the financial results.

2.2 Revenue Management

2.2.1 Granting the Council Land on Lease

A land belonging to the Council in extent of 15 perches had been granted on lease for 02 years to a private party during the year under review to run a factory to manufacture Paved Blocks, on monthly lease of Rs. 7,500 without obtaining a valuation report from the Government Chief Valuer. Further, a sum of Rs. 22,500 being rent for 3 months had been obtained as initial payment instead of obtaining 25% of the present value of the land in terms of the letter No. PS/1/05/26 dated 14 December 2009 of the Ministry of Local Government and Provincial Councils.

3. Performance Review

3.1 Management Inefficiency

Action had not been taken up to 31 December 2015 to recover the outstanding loan balance of Rs. 35,376 due from two employees who went on retirement in the year 2012 from their pension or from their sureties

3.2 Solid Waste Management

Although a compost yard had been constructed at a cost of Rs. 8,394.227 during the period 2010 – 2015 through PILISARU Fund in order to recycle the solid waste, the solid wastes were being dumped at the river bank. Therefore, the court had made a judgment stating that the dumping of solid waste at the river bank is prohibited with effect from 28 May 2015. However, the Council had continued the dumping of solid waste at the river bank and as such the environment was polluted, and it had caused for spreading infectious diseases.

4. Accountability and Good Governance

4.1 Budgetary Control

The budget had not been utilized as an effective instrument of management control due to variance ranging from 16 percent to 57 percent were observed between the budgeted expenditure and actual expenditure.

5. Systems and Controls

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

- (a) Accounting
- (b) Contract Administration
- (c) Control over Fixed Assets
- (d) Revenue Management
- (e) Budgetary Control