

**Kuliyapitiya Urban Council  
Kurunegala District**

**1. Financial Statements**  
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**1.1 Presentation of Financial Statements**  
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Financial Statements for the year 2018 had been submitted to Audit on 27 March 2019 and the Summary Report of the Auditor General and the Detailed Management Audit Report relating to those Financial Statements had been sent to the Chairman on 26 June 2019 and 15 July 2019 respectively.

**1.2 Qualified Opinion**  
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In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion of this report, financial statements give a true and fair view of the financial position of the Kuliyapitiya Urban Council as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Basis for Qualified Opinion**  
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<b>Audit Observations</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) Even though the Value Added Tax payable as at 31 December of the year under review amounted to Rs.323,235, the said balance had been accounted as Rs.2,261,052 in the financial statements.	Action should be taken to identify the correct value and bring to account.	It is informed that action will be taken to rectify through a journal entry.
(b) According to Reports on Boards of Survey, the value of the stock as at 31 December 2018 was Rs.10,357,706. However, the value of the stock in hand had been shown as Rs.33,519,895 in the Balance Sheet.	Action should be taken to identify the reasons for the difference and to make adjustments.	In looking for the reason for overstatement of the stock balance in accounts, instances were observed in which the stock journals submitted by Officers in Charge of Subjects, for accounting of receipts of the store throughout many years, were inaccurate.
(c) Non-reconciliations of Rs.8,717,998 existed between the balances in the financial statements relating to 02 Items of Accounts and the balances in the	Action should be taken to reconcile the differences in the relevant balances and for correction.	It is informed that action will be taken to correct non-reconciliations.

subsidiary registers relating thereto, as at the end of the year under review.

- (d) Deposit certificates/savings pass book and detailed schedules relating to 04 Items of Accounts totalling Rs.93,584,508, had not been made available. Evidence confirming balances of accounts shown in the financial statements, should be made available. It is informed that it is not a fixed deposit, but a savings account and that summarized schedules of debtors have been made available to Audit and that it is difficult to maintain schedules relating to library books.

## 02. Financial Review

### 2.1 Financial Results

According to financial statements presented, excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2018 had been Rs.56,421,164 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounting to Rs.60,375,416.

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Arrears of Revenue

Details on the estimated revenue, billed revenue, collected revenue and arrears of revenue presented relating to the year under review and the preceding year are as follows.

Source of Revenue	2018				2017			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
I. Rates and Taxes	15,184,287	16,127,292	13,904,787	12,408,429	15,034,287	15,370,630	12,229,277	10,767,844
II. Rent	16,458,200	16,179,115	16,214,997	404,785	15,702,200	15,810,237	3,230,028	540,587
III. Licence Fees	17,525,100	15,118,249	15,115,249	3,000	15,455,100	16,079,014	16,079,014	-
IV. Other Revenue	118,697,420	116,129,367	38,488,594	37,925,424	110,722,243	118,105,767	85,160,891	76,665,050
<b>Total</b>	<b>167,865,007</b>	<b>163,554,023</b>	<b>83,723,627</b>	<b>50,741,638</b>	<b>156,913,830</b>	<b>165,365,648</b>	<b>116,699,210</b>	<b>87,973,481</b>

## 2.2.2 Rates and Tax

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>The arrears of rates and taxes as at 31 December of the year under review was Rs.12,384,796 and a sum of Rs.6,494,901 of that was in arrears over a period of one year. However, action had not been taken to recover the said arrears in terms of Section 170 of the Urban Councils Act.</p>	<p>Action should be taken to recover arrears of balances in terms of provisions in the Act.</p>	<p>Red Notices have been distributed for recovery of arrears of balances as at 31.12.2018 and it is informed that future action relating thereto is being taken.</p>

## 2.2.3 Rent

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>A sum of Rs.454,785 was recoverable relating to 07 properties rented out.</p>	<p>Action should be taken to recover arrears in rent.</p>	<p>Out of the balance in arrears as at 31.12.2018, a sum of Rs.128,870 has been recoverable and balance in arrears amounting to Rs.309,374.61 remains as at 30.05.2019.</p>

## 2.2.4 Court Fines and Stamp Fees

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>Stamp fees receivable as at 31 December of the year under review was Rs.22,672,719. Action had not been taken to bill revenue from court fines relating to the year under review.</p>	<p>Action should be taken to recover stamp fees and court fines recoverable.</p>	<p>It is informed that action will be taken to recover this arrear.</p>

## 03. Operating Review

### 3.1 Performance

In terms of Section 4 of the Urban Councils Act, the matters revealed in respect of the performance of functions of the Sabha such as regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people within the area are as follows.

## Sustainable Development Goals

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Provisions of Rs.10,347,699 had been allocated for implementation of projects for 08 Sustainable Development Goals identified by being aware of the 2030 Agenda on the Sustainable Development Goals of the United Nations Organization.	Effective projects should be planned and implemented according to sustainable development goals.	It is informed that action will be taken according to provisions relating to the year 2018 and that it is expected to implement them in the year 2019.

### 3.2 Management Inefficiencies

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<b>Audit Observations</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) The value of balances receivable as at 31 December 2018 amounted to Rs.54,999,271 and out of that, a sum of Rs.21,007,621 was in arrears for over a period of one year.	Action should be taken to recover balances receivable.	It is informed that action will be taken to recover these balances as speedily as possible.
(b) Action had not been taken to settle a sum of Rs.6,900,132 payable to the Department of pensions remaining over a period of 03 years, industrial creditors of Rs.3,776,729 and general deposits amounting to Rs.3,892,862 lapsed over a period of 02 years.	Action should be taken to settle payable balances.	The Monetary Committee has decided to pay an additional Rs.50,000 along with the monthly installment of pension payable and it is informed that action will be taken to settle balances that can be further settled.

### 3.3 Human Resource Management

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Action had not been taken to settle the security deposits of Rs.81,735 of three employees.	Action should be taken to settle security deposits duly.	Action is being taken to settle the said sum.

### 3.4 Operating Inefficiencies

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>It was observed that the new water motor valued at Rs.2,189,152 and the old water motor installed to the water source of the Udubaddawa Water Purification Unit are not functioning with proper capacity.</p>	<p>Action should be taken to carry out repairs speedily and to provide service to the public.</p>	<p>The relevant institutions have been informed thereon in writing and as pumping is carried out by only one pump, these repairs should be carried out speedily. As such, necessary action is being taken to carry out repairs by joining with the relevant institution.</p>

### 3.5 Assets Management

#### 3.5.1 Non-vested Assets

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>A Bob Cat machine and a land of 05 acres in extent belonging to the Council, in which the Solid Waste Management Centre is located, had not been vested in the Council.</p>	<p>Action should be taken to vest non-vested assets.</p>	<p>The consent of relevant institutions has been received for vesting of the RS-1684 Bob Cat machine and the land of the Solid Waste Management Project in future.</p>

#### 3.5.2 Idle/Underutilized Assets

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>One asset of which the value was not mentioned and 03 assets of which the value amounted to Rs.76,125,000 as at the end of the year under review, had remained idle from a long period.</p>	<p>Action should be taken to repair or dispose of idle assets.</p>	<p>It is informed that action will be taken to repair and make use of or to auction the said assets.</p>

**04. Accountability and Good Governance**

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**Internal Audit**  
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**Audit Observation**

**Recommendation**

**Comments of the  
Accounting Officer**

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As the officers of the Internal Audit Unit have been assigned with other duties as well, an adequate internal audit could not be carried out.

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Action should be taken to safeguard the independency of the Internal Audit Unit.

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According to the number of employees of the Council, officers cannot be appointed for the sole purpose of internal audit and it is informed that duties have been assigned to officers who carry out internal audit so as not to hinder internal audit activities.