

Haputale Urban Council

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Badulla District  
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1. Financial Statements

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1.1 Presentation of Financial Statements  
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Financial Statements for the year under review had been submitted to Audit on 21 March 2016 while Financial Statements relating to the preceding year had been submitted on 08 April 2015. The Auditor General's Report relating to the year under review was sent to the Secretary of the Council on 06 September 2016.

1.2 Opinion

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In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Haputale Urban Council as at 31 December 2015 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Comments on Financial Statements

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1.3.1 Accounting Deficiencies  
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Following deficiencies are observed.

- (a) Although there was no item of expenditure for Members Allowance as at 31 December of the year under review, an expenditure of Rs. 150,000 had been accounted.
- (b) The value of 13 Office Equipment amounting to Rs. 347,999 purchased during the year under review had not been accounted.
- (c) The expenditure incurred amounting to Rs. 44,430 for the transport of the Backhoe Loader had not been accounted.
- (d) Nine items of expenditure amounting to Rs. Rs. 520,281 relevant to preceding year, incurred during the current year had been accounted as expenditure for the current year.
- (e) Provision for Creditors had not been made for 13 items of expenditure amounting to Rs. 369,178 committed during the year under review.
- (f) Provision for Creditors had not been made for a sum of Rs. 216,147 payable to the Local Government Employees Pension Fund.

- (g) Provision for 05 Work Creditors amounting to Rs. 739,215 had not been made.
- (h) Value of closing stock amounting to Rs. 97,202 at the end of the year under review had not been accounted.
- (i) The balance of Stamp Fees Receivable had been overstated in a sum of Rs. 60,039.
- (j) Under provided Stamp Fees amounting to Rs. 208,325 during the preceding year had not been accounted.
- (k) Rest House Management Fee receivable from the Urban Development Authority had been understated in sum of Rs. 150,000.
- (l) Value of Rates Receivable as at 31 December 2015 had been overstated in a sum of Rs.87,422.

### 1.3.2 Non-reconciled Control Accounts

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Following non-reconciliations were observed.

- (a) There was a non-reconciliation amounting to Rs. 36,780 between the balance according to the Staff Loans Schedule and the balance according to Statement of Financial Position.
- (b) There were non-reconciliations amounting to Rs. 8,014 among the value of Investments, the value of Security Deposits and the balance according to Schedules.
- (c) There was a non-reconciliation in a sum of Rs. 786,107 between the balance of Sundry Deposits Account and the balance according to schedules.
- (d) There was a non-reconciliation in a sum of Rs. 74,824 between the Cash and Cash Equivalents according to Cash Flow Statement and the Cash and Cash Equivalents in the Statement of Financial Position.

### 1.3.3 Accounts Receivable and Payable

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While the value of Accounts Receivable balances as at 31 December of the year under review was Rs. 16,679,661, the value of Accounts Payable balances had been Rs. 27,358,293.

### 1.3.5 Non-compliance with Laws, Rules and Regulations.

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Following instances of non-compliance with Laws, Rules and Regulations were observed in audit.

Reference to Laws, Rules Regulations etc. -----	Non-compliance -----
(a) Urban Councils Ordinance (Chapter 255) ----- Section 77	Action had not been taken against the relevant parties with regard to 08 un-authorized constructions.
(b) Section 203 of the Motor Traffic Ordinance	Revenue Licenses had not been obtained for the current year for 11 vehicles belong to the Council
(c) Financial regulations of the Republic of Sri Lanka -----	
(i) Financial Regulation 371	Advances amounting to Rs.305,138 paid to various parties in 17 instances during the period from the year 1997 to 2014 by the Council had not been settled even as at 31 December 2015.
(ii) Financial Regulation 571	Action had not been taken to clear 22 time lapsed deposits valued at Rs.114,112 as at 31 December of the year under review.
(d) Clause 1,6 and 4 in Chapter XXIV of the Establishments Code of the Republic of Sri Lanka	Staff Loans amounting to Rs. 67,825 due from 21 individuals who were in service of the Council and left on transfers, vacated post, and deceased had not been recovered
(e) Circular No.IAI/2002/2 dated 28 November 2002 of the Treasury	A Register of Computer Accessories had not been maintained with regard to 6 computers and accessories relevant to those.

(f) Pension Circular No. 4/2010 dated 25 May 2010 and the letter No. 1/8/1/31(1) dated 08 December 2014 of the Secretary to the Uva Governor.

A sum of Rs. 221,709 had not been paid the Public Service Provident Fund relevant to 8 months from January to August 2015 on behalf of 06 Sanitary and Road Laborers in service of the Council receiving daily paid salaries.

## 2. Financial Review

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### 2.1 Financial Results

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According to the Financial Statements presented, excess of revenue over expenditure of the Council for the year under review ended 31 December had been Rs. 7,052,835 as compared with the corresponding excess of revenue over expenditure amounted to Rs. 2,954,082.

### 2.2 Revenue Administration

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#### 2.2.1 Performance in Revenue Collection

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Following matters are observed.

- (a) The progress in recovery of revenue in arrears as at 01 January 2015 had been at a weak level from 51 per cent to 24 per cent.
- (b) Action had not been to recover Rates in Arrears amounting to Rs. 2,761,860 for more than two years as at 31 December of the year under review.
- (c) A sum of Rs. 1,304,026 due to be recovered since the year 2001 from beef stalls and fish stalls tender holders had not been recovered.
- (d) Revenue Receivable amounting to Rs. 116,400 for keeping Publicity Advertisement Boards for the year 2015 had not been recovered even up to 22 September 2015.
- (e) Action had not been taken according to directions in Section 164(4) of the Urban Councils Ordinance, against the defaulters in payment of revenue in arrears amounting to Rs. 4,221,521 as at 31 December of the year under review.
- (f) Trade Licenses had been issued for 09 Institutions without granting Environmental Protections Permits liable to be obtained in terms of National Environmental Act No. 47 of 1980 and Extra Ordinary Gazette Notification No. 1523/16 dated 25 January 2008.

- (g) Monthly Lease Rent of all market trade stalls carried on through Local Authorities had not been got assessed by the Chief Valuer once in 5 years according to the Circular No. 1980/46 dated 31 December 1980 of the Commissioner of Local Government.
- (h) Action had not been taken to recover revenue that could have been recovered to the Council from 129 three wheeled vehicles registered up to the year under review.

### 2.2.2 Courts Fines and Stamp Fees

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Courts Fines amounting to Rs. 310,833 and Stamp Fees amounting to Rs. 816,610 were due to recovered as at 31 December 2015 from the Chief Secretary to the Provincial Council and other authorities.

## 3. Operating Review

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### 3.1 Operational Inefficiencies

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Following matters are observed.

- (a) Action had not been taken even up to 22 September 2015 to recover Rest House Rent amounting to Rs. 3,974,194 due to the period from 1999 to 2007 from the Urban Development Authority and Rest House Electricity Charges amounting to Rs. 74,824.
- (b) While action had not been taken in terms of Financial Regulations 103 and 104 with regard to shortages identified at the Board of Survey carried out as at 31 December 2013, Recommendations submitted had not been implemented even as at 22 September 2015.
- (c) It had been recommended to destroy 02 Scientific Calculators which was in serviceable condition even as at 22 September 2015, date of audit.
- (d) Although a sum of Rs. 300,000 had been spent to repair a van met with an accident on 19 December 2013, a sum of Rs. 175,000 only had been recovered as insurance claim. Course of action had not been taken with regard to settlement of the additional amount of Rs. 125,000 spent.

### 3.2 Idle Assets

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Although equipment valued at Rs. 70,544 had been purchased for the 02 official quarters in the Multi Purpose Building of the Council on 10 October 2014, it had been kept closed without being used even up to December 2015.

4. Good Governance and Accountability  
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4.1 Budgetary Control  
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The Budget had not been made use of as an effective tool of management for revenue and expenditure control during the year under review.

4.2 Annual Procurement Plan  
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An Annual Procurement Plan had not been implemented during the current year.

4.3 Internal Audit  
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An internal audit had not been carried out for the year 2015.

4.4 Audit and Management Committee  
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Audit and Management Committees had not been implemented during the year under review.

5. Systems and Controls  
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Special attention is needed in the following areas of controls.

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Management
- (d) Stock Control.