

Hatton Dickoya Urban Council

Nuwaraeliya District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 03 June 2016 while Financial Statements relating to the preceding year had been submitted on 31 March 2015. The Auditor General's Report relating to the year under review was sent to the Secretary on 19 August 2016.

1.2 Opinion

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 Hatton Dickoya 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

1.3.1 Accounting Policies

Accounting Policies based in the preparation of the financial statements relevant to the year under review submitted by the Urban Council had not been disclosed together with the financial statements.

1.3.2 Non-reconciled Control Accounts

While the total of balances relevant to 04 items of accounts according to Control Accounts was Rs.62,252,871, according to Subsidiary Registers the total of those balances had been Rs.69,938,159 indicating a difference of Rs.7,685,288.

1.3.3 Accounts Receivable and Accounts Payable

(a) Accounts Receivable

While the total value of Accounts Receivable balances amounted to Rs.14,411,041, the total of account balances that had elapsed a period of one year included therein had been Rs.14,017,382.

(b) Accounts Payable

While the total value of 04 Accounts Payable balances amounted to Rs.60,155,337, out of that the total of account balances that had elapsed a period of one year included had been Rs.57,081,803.

1.3.4 Lack of Evidence for Audit

two Items of accounts valued at Rs.6,820,426 shown in the Balance Sheet as at 31 December of the year under review could not be satisfactorily vouched or verified in audit due to non-submission of Estimates and Board of Survey Reports.

1.3.5 Non-compliance with Laws, Rules and Regulations.

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

Reference to Laws, Rules Regulations and Management Decisions	Non-compliance
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(a) Financial regulations of the Republic of Sri Lanka	
(i) Regulation 371 (5)	Advances amounting to Rs. 4,893,813 obtained in 90 instances during the years from 1990 to 2015 had not been settled.
(ii) Regulation 571	Deposits valued at Rs. 6,073,453 relevant to 618 instances during the period from the year 2007 to the year 2012 had not been cleared.
(b) Circular No. 46 dated 31 December 1980 of the Commissioner of Local Government	Action had not been taken to assess and revise the lease money after the year 2006 with regard to trade stalls belong to the Council.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2015 amounted to Rs. 27,911,167 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.15,765,763 indicating an improvement in the financial results.

2.2 Working Capital Management

While the Current Ratio had been below the optimum level as 1.3:1, Debtors had been 34% of Current Assets and Creditors had been 57% of the Current Liabilities.

2.3 Revenue Administration

2.3.1 Performance in Revenue Collection

Information furnished relating to Estimated Revenue, Actual Revenue and Arrears of Revenue for the year under review is shown below.

Item of Revenue	Arrears as at 01.01.2015	Recoveries out of the Arrears as at 31.12.2015	Billings during the year 2016	Recoveries Out of Billings for the year	Arrears as at 31.12.2015		
					Out of Arrears as at 01.01.2015	Out of Billings for the year	Total Arrears
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates	2,616,427	1,227,468	7,182,298	5,982,763	1,388,959	1,199,535	2,588,494
Lease Rent	3,983,773	2,584,626	14,754,640	13,347,828	1,399,147	1,766,812	3,165,959
License Fees	105,250	96,250	2,000,956	1,941,946	9,000	59,010	68,010

2.3.2 Rates

- Although properties should be assessed once in five years for recovery of Rates, Rates for the year 2015 too had been recovered on the basis of assessment made during the year 2006. Although the new assessment had been received to the Council in September 2014, it had not been implemented during the year under review causing loss of large sum of revenue to the Council.
- While the amounts in arrears at the end of the year had been Rs.2,616,427, only 47% out of that amount had been recovered during the year. Legal action had not been taken to recover the balance amounts in arrears.

2.3.3 Lease Rent

(a) Arrears of Meat Stalls Rent

- (i) The Council had not taken action to recover Stalls Rent in arrears amounting to Rs.555,421 due relevant to the period from the year 1993 to the year 2009 from 09 meat stalls in the Public Market belong to the Council. Any step had not been taken by the officers responsible for recovery of these amounts until expiry of the legally valid period.
- (ii) While the person who submitted the highest bid for the Beef Stall No. 13 in the Public Market for the year 2015 which was rejected due to irregularities had taken court action, the Court had ordered to accept the tender submitted by the plaintiff with effect from 07 April 2014. While a sum of 250,000 had been paid as case charges for this case by the Council, an income of Rs. 931,387 for January to March 2015 had been lost to the Council.

(b) Fish Stalls Rent

- (i) Eight fish stalls in front of the Hatton New Market had been given on lease for the period from 01 July 2014 to 30 June 2015. While recovery of rent from these stall had been very weak, a sum of Rs.442,661 in arrears as at 30 June 2015.
- (ii) Although the tender period of these stalls had elapsed since July 2015, action had not been taken up to 25 September to lease out again. Out of these, 02 stalls had been closed down having cancelled the tenders due to default in payments. Under these circumstances any income had not been received to the Council up to 30 June.

(c) Lease of M.H.S. Abusali Hall

This Hall which had been given on lease for a period of 03 years with effect from 01 October 2013 had been taken back during the year 2015. A sum of Rs.338,888 was outstanding to be recovered as at the end of the year under review.

(d) Land Tax

While the dates of leasing out the lands belong to the Council were not revealed, action too had not been taken to make assessments once in 5 years and revised the taxes.

2.3.4 Advertisements Boards Charges

Although By-laws had not been enforced and published in the Gazette for recovery of charges from the Advertisements Boards in the area of authority of the Council, it had been notified in the Gazette that charges will be levied annually. Although this is a large source of revenue for the

Council, adequate attention had not been made with regard to that. Following lapses were observed in this connection.

- (a) A survey had not been carried out at the beginning of the year and proper documentation had not been made.
- (b) Although letters had been sent to 11 institutions on 11 June 2015 informing to pay Advertisements Boards Charges, the relevant sum of Rs.404,024 had not been recovered.

2.3.5 Court Fines and Stamp Fees

Court Fines amounting to Rs.190,251 and Stamp Fees amounting to Rs.8,841,450 receivable as at 31 December 2015 had not been recovered.

2.4 Surcharges

Value of Surcharges due to be recovered as at 31 December 2015 in connection with surcharges imposed by me against the persons responsible, in terms of Section 182 (1) of the Urban Councils Ordinance (Chapter 255) was Rs.29,692.

3. Operating Review

3.1 Performance Evaluation

Progress Reports and Administrative Reports indicating physical and financial performance in compliance with the Annual Action Plan had not been prepared.

3.2 Management Inefficiencies

Following matters are observed.

- (a) While values amounting to Rs.10,316,121 relevant to issues during the year under review had not been recorded in the expenditure letter even up to June 2016, due to that, objective of maintaining expenditure ledgers had been lost.
- (b) Although nearly 800 unserviceable goods had been identified in the Board of Survey carried out relevant to the year 2015, action had not been taken either to auction or to take other course of action with regard to those.

3.3 Solid Waste Management

While Solid waste collections in the area of authority of the Council had been dumped into a land between two water feeding canals to the Mahaweli River since the year 2012, causing pollution to the water feeding, burning solid waste in the open ground had resulted in environmental pollution. Due to this, villagers who suffered had filed cases in the Hatton District Court. It had

been continued to dump waste to that place during the year under review as well without resorting to a proper waste disposal methodology.

4. Accountability and Good Governance

4.1 Budgetary Control

According to the Budget prepared for the year under review, when estimated revenue and expenditure are compared with the actual revenue and expenditure, variations from 13 per cent to 107 per cent in 06 Items of revenue and variations from 42 per cent to 66 per cent in 05 items of expenditure were observed. Accordingly, it was observed that the Budget had not been made use of as an effective tool of management.

4.2 Procurement Plan

A Procurement Plan had not been prepared with regard to purchases and construction works of the Council.

4.3 Internal Audit

An Adequate Internal Audit had not been carried out in the Council.

4.4 Assets Management

Idle and Under-utilized Assets

- (a) The Road Roller valued at Rs.1,000,000 and Tractor Trailer valued at Rs.8,160 belong to the Council had not been used since a long period.

- (b) Although approval of the Commissioner of Local Government had been given during the year 2010 for auctioning 113 categories of unserviceable goods valued at Rs.154,830 recommended for disposal at the Board of Survey, auction works had not been carried out during the year under review as well.

5. Systems and Controls

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

- (a) Revenue Administration
- (b) Assets Management
- (c) Debtors and Creditors Control
- (d) Stocks Control.