

Tangalla Urban Council

Hambantota District

1. Financial Statements

1.1 Presentation of Financial Statements

While Financial Statements for the year 2017 had been submitted to Audit on 29 March 2018, the Auditor General's Report relating to the year under review was sent to the Chairman on 23 July 2018.

1.2 Qualified 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 Tangalla Urban Council as at 31 August 2017 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 Deficiencies

Following accounting deficiencies were observed in audit.

- (a) A sum of Rs. 2,026,724 had been overstated in making adjustments relevant the Stamp Fees for the year 2015.
- (b) The expenditure amounting to Rs. 160,000 incurred for making a Buddha Shrine in the premises of the Urban Council had not been capitalized.
- (c) Creditors provision had been overstated in a sum of Rs.33,300 for fuel expenditure relevant to the year under review.

1.3.2 Non-reconciled Accounts

Discrepancies amounting to Rs. 3,120,419 were observed between Stamp Fees balance shown in the financial statements and the balance shown the Stamp Fees Register.

1.3.3 Accounts Payable

Action had not been taken to pay contribution totaling Rs. 3,915,839 payable to the Local Government Pension Fund relevant to the period from the year 1999 to the end of the year under review.

1.3.4 Lack of Evidence or Audit

Four items of accounts totalling Rs. 9,076,622 could not satisfactorily be examined in audit due to non-submission of required information for audit.

1.3.5 Non-compliance with Laws Rules, Regulations and Management Decisions.

Instances of non-compliance with laws, rules, regulations and management decisions are shown below.

Reference to laws, rules, regulations and
Management decisions

Non-compliance

Urban Councils Ordinance Chapter 255

(i)– Section 72 (2) and (3)

Action had not been taken with regard to unauthorized construction between the Stall No.31 and the Public Latrine in Bazaar Street.

(ii) Section 165 (b)

Action had not been taken to recover taxes from everybody in professional practice in the administrative limit of the Urban Council.

(iii) Section 227 (i)

Although any member, officer or employee should not show any interest in agreements with the Urban Council, when leasing out stall No. 1 of Tangalla Bus Stand, it had not been complied with.

1.3.6 Transactions not covered by Adequate Authority

According to the Circular No. LGD/26/13 dated 27 July 1982 of the Secretary to the Ministry of Local Government, Housing and Constructions, addressed to all Municipal Commissioners and Chairmen of Urban Councils, repair expenditure of buildings and furniture of rest houses belong to Local Government Institutions should be borne by the lessees. However, out of expenditure born by the Urban Development Authority for repairing the expenditure a sum of R. 1,050,000 had been written off from rent due to the Council.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of recurrent expenditure over revenue of the Council for the year ended 31 December 2017 amounted to Rs. 5,988,438 as compared with the excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 10,419,278.

2.2 Revenue Administration

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

Arrears of Revenue are shown below.

Source of Revenue	2017				2016			
	Estimated Revenue	Revenue Billrd	Revenue Collected	Total Arrears Collected	Estimated Revenue	Revenue Billed	Revenue Collected	Total Arrears Collected
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
i Rates and Taxes	3,100,000	3,075,996	3,426,540	394,406	2,900,000	2,791,190	3,935,843	966,145
ii Rent	11,777,100	10,292,685	5,249,302	321,606	9,418,000	8,420,829	7,882,296	3,080,300
iii Licence Fees	1,249,000	816,672	815,642	-	677,000	1,055,027	1,065,02	--
Iv Other Revenue	19,311,500	15,342,565	11,138,603	14,457,168	18,283,800	10,746,076	7,827,313	8,018,250
Total	35,437,600	29,527,918	20,630,087	15,173,180	31,278,800	23,013,122	20,710,479	12,064,695

2.2.2 Performance in Revenue Collection

While Revenue Billed during the year under review had been Rs.29,527,918, out of that a sum of Rs.20,630,087 had been collected. Total arrears amounting to Rs.12,064,695 as at the end of the preceding year had been increased to Rs. 15,173,180 at the end of the yer under review.

2.2.3 Rates and Taxes

While action in terms of Section 170(a) of the Urban Councils Ordinance had not been taken to recover outstanding balance of arrears amounting to 394,406 at the end of the year under review, balances exceeding Rs. 1,000 due from 73 rates units amounting to R. 288,462 was included in that balance of arrears.

2.2.4 Rent

Following matters were observed.

- (a) While a sum of Rs. 167,706 was due to be recovered from 25 stalls as at 31 December 2017, action in terms of Section 170(a) of the Urban Councils Ordinance had not been taken to recover that money.
- (b) Action had not been taken to recover the monthly rent revised as per assessment report No. Hum/KuPu dated 23 February 2016 relevant to 143 stalls.
- (c) Although very agreement should be updated once in every 03 years in terms of paragraph 05 the circular No. SLG/CLG/2010/01 dated 27 December 2010 of the Southern Province Commissioner of Local Government, agreements relevant to 42 stalls had not been , updated since a period from 07 year to 32 years.
- (d) Although lease right should not be transferred to any other party under any circumstances without approval of the Council, as shown in paragraph 11 of the circular referred to above, it was observed at the inspection carried out on the spot on 15 January 2018 that 08 stalls of the Council had been sub leased for recovering monthly rent ranging from Rs. 4,500 to Rs. 20,000, contravening the circular provisions.

3 Operating Review

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utilit services and public thoroughfares, generally with the protection and promotion of the comfort convenience and welfare of the people and amenities by the Urban Council under Section 4 of the Urban Councils Ordinance are shown below.

(a) Works not performed

Nine development proposals totaling Rs. 8,250,000 proposed to be performed having made provision through the budget for the year under review had not been fulfilled.

(b) Solid Waste Management

Adequate fire extinguish equipment and facilities in conformity with therequirements and conditions mentioned in the enviaronmenta protection permit had not been established in the land maintained for the process. Further, solid wastes that couldad not be utilized for production of compost had been dumped into an open land , but those had not been covered by putting a layer of earth

(c) Sustainable Development Targets

Long term plans for elevation of living condition and health of the people in the area of authority of the Council through global index agenda 2030, targeting sustainable development objectives, had not been prepared by the Council.

3.2 Management Inefficiencies

Charges had been reimbursed only for 293 street lamps out of 927 street lamps installed in the area of authority of the Council by end of the year 2017 due to failure in taking action in compliance with circular No. VE/01/01 dated 17 August 2010.

3.3 Human Resources Management

- (a) There was an excess of 13 persons in 05 posts and vacancies of 31 persons in 17 Posts as at 31 December of the year under review. The Council had not taken course of action to regularize surplus posts as well as to fill the vacancies.
- (b) Action had not been taken during year under review as well, to recover staff loans aggregating Rs. 88,856 due to the Council over a long period from 17 employees who had vacated posts and deceased

3.4 Operational Inefficiencies

Following matters were observed.

- i. While the Market Complex consist of 27 stalls constructed adjoining Tangalla Weekly Fair had been given on lease since the year 2007 upto the year 2013, rights given to stall holders in the Neew Bazaar Street had been relinquished having provided 12 stalls out of these to them and their stalls had been vested in the Council. However, action had not been taken lease out those stalls to other parties up to the end of the year under review.
- ii. Although billing had not been done for these stalls, at the inspection carried out on the spot on 15 January 2018, it was observed that 05 stalls are kept opened on the days of conducting the fair.
- iii. According to the assesment made during the year 2016, revenue lost to the Council for the year 2017 on account of the stalls given on lease but monthly rent not recovered and for the stalls not given on lease amounted to Rs.. 409,200.

3.5 Assets Management

3.5.1 Non-protection of Assets

Although a period of more than 03 years had elapsed after taking away 03 Tool Kit Sets belong to the Fire and Distress Management Unit, by an outside party, action had not been taken to get back those equipment to the Council, even up to the end of the year under review.

3.5.2 Assets not vested

Council had not taken action even up to 15 January 2018, to vest the legal ownership of 25 Land and Buildings identified at the Board of Survey during the year 2016.

3.5.3 Annual Board of Survey

- (a) While recommendations made had not been implemented even up to the end of the year under review with regard to 05 items of goods identified as shortages over a number of years, 05 mobile multi purpose booths identified as shortages for a number of years had been subsequently received to the Council. It was observed that upper coverings of those had been damaged and become unusable.
- (b) Five recommendations mentioned in the board of survey report on fixed assets for the year 2016 had not been implemented even up to 15 January 2018.

3.5.4 Utilization of Vehicle

- (a) Transferring Ownership of Vehicles Registered ownership of the tractor belong to the Central Environment Authority and used by the Council had not been transferred and vested in favor of the Council even up to the end of the year under review.
- (b) In spite of the fact that Mile Meter/ Hourly Meter of 04 vehicles belong to the Council had been defunct, those had been engaged in running during a period ranging from 06 months to 72 months.

3.6 Procurements

3.6.1 Procurement Plan

A Procurement Plan had not been prepared for the year under review.

3.6.2 Contracts Administration

Cheque No. 132884 written for making a payment of Rs. 283,288 to the contractor after deducting 10 percent retention money for the work relating to placing concrete slabs for the drain in front of the weekly fair under Council Funds during the year 2017 had been kept in hand even up to 16 January 2018. While it was observed that substandard concrete mixture had been used for the concrete slabs, 05 slabs had been cracked and had become unusable even as at 15 January 2018. After pointing out this position in audit, 05 concrete slabs were referred for a quality test. According to laboratory tests, strength of the concrete slabs which should be 20(N/mm), had been at levels from 9 to 15 (N/mm). Accordingly, all slabs tested had not been up to proper standard.

4. Accountability and Good Governance

4.1 Budgetary Control

Material variances between the budget for the year under review and the actual revenue and expenditure were observed as shown below.

- (a) While total of adverse variances of 05 items of revenue amounted to Rs. 34,580,969, those values were in a range from 13 percent to 78 percent.
- (b) While adverse variance of item of expenditure for Supplies and Equipment was Rs. 801,876, that value was 17 percent.

4.2. Audit and Management Committees

Although 04 meetings of Audit and Management Committees should be conducted in terms of Management Audit Circular No. DMA/2009(1) dated 09 June 2009, only 3 meetings had been conducted for the year under review.

5. Systems and Control

Deficiencies observed in audit were brought to the attention of the Council from time to time. Special attention should be made in respect of following areas of systems and controls.

System	Deficiency
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(a) Accounting	I. Differences between the values shown in the financial statement and those shown in the subsidiary registers. II. Instances of over statements of account balances. III. Instances of non-capitalization of Fixed Assets.
(b) Revenue Administration	I. Non-recovery of arrears of revenue II. Failure in proper updating stalls rent register. III. Non-recovery of stalls rent on the basis of new assessments IV. Instances of sub-leasing stalls without permission.
(c) Staff management	I. Failure to regularize excess posts and to fill the vacant posts
(d) Budgetary Control	I. Material variances between the budget and actual revenue and expenditure II. Actual revenue not reaching the budgeted targets.