

Hatton Dickoya Urban Council

NuwaraEliya District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2017 had been furnished to Audit on 29 March 2018 and the Auditor General's Report relating to those Financial Statements was sent to the Chairman on 13 September 2018.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Hatton Dickoya Urban Council as at 31 December 2017 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 Deficiencies

(a) One hundred and eighty one units of goods worth Rs.251,950 belong to various items of assets which are not falling under the category of plant and machinery had been shown under the plant and machinery in the financial statements.

(b) Six hundred and two units of goods worth Rs.213,147 belong to various items of assets which are not falling under the category of furniture and fittings had been shown under the furniture and fittings in the financial statements.

1.3.2 Accounts Receivable and Payable

(a) Accounts Receivable

The total value of 04 accounts balances receivable which had elapsed a period ranging from 06 years to 25 years as at 31 December of the year under review amounted to Rs.13,119,324.

(b) Accounts Payable

Payable 26 accounts balances amounting to Rs.306,000 which had elapsed a period ranging from 01 year to 09 years as at 31 December of the year under review had not been settled.

1.3.3 Lack of Documentary Evidence for Audit

Due to non-submission of necessary information, 04 items of accounts totalling Rs.11,359,537 could not be satisfactorily vouched in audit.

1.3.4 Non-compliance

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

Reference to Laws, Rules and Regulations	Non-compliance
(a). Section 36 (e)(ii) of Urban Council Ordinance	The approval of the Minister had not been obtained in leasing out 09 plots of lands of 46.51 Perches in extent situated in Samanalagama area on long term lease basis.
(b). Land Ordinance Section 217 (2) (vi)	Lands given on lease had not been assessed once in 5 years and rents had not been revised.

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 2017 amounted to Rs. 54,850,010 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.47,050,988.

2.2 Financial Control

It was observed that there was a balance exceeding Rs.32,000,000 of a current account maintained by the Council in a State bank every month in the year 2017. Nevertheless, action had not been taken to properly utilize that sum or invest the same in more favourable manner.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Billed Revenue, Collected Revenue, and Revenue in Arrears

Information on the estimated revenue, billed revenue, collected revenue, and revenue in arrears, presented relating to the year under review and the preceding year, is given below. Nevertheless, it was observed that there were differences when comparing such information each other.

Source of Revenue	2017				2016			
	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	12,250,000	17,671,816	15,285,476	5,030,602	10,200,000	6,765,520	7,469,615	2,527,852
(ii). Rents	20,120,000	14,692,519	14,171,292	4,297,588	18,204,700	16,205,483	15,817,168	3,521,653
(iii). Licence Fees	15,275,000	2,318,939	2,344,939	9,000	10,581,000	1,797,032	1,816,042	26,000
(iv). Other Revenue	18,676,000	-	20,486,608	-	14,081,000	-	19,364,836	-

2.3.2 Rates and Taxes

(a) Rates

Out of Rates in arrears amounting to Rs.2,527,852 as at 01 January of the year under review, a sum of Rs.1,046,079 or 41 per cent only had been recovered during the year and out of the above arrears existed at the beginning of the year, a sum of Rs.1,481,773 further remained recoverable by the end of the year.

(b) Ground Tax

Out of the arrears amounting to Rs.841,718 as at 01 January of the year under review, a sum of Rs.368,488 or 43 per cent only had been recovered during the year and out of the above arrears existed at the beginning of the year, a sum of Rs.473,230 further remained recoverable by the end of the year.

2.3.3 Stall Rents

Out of the arrears amounting to Rs.2,377,004 as at 01 January of the year under review, a sum of Rs.856,755 or 36 per cent only had been recovered during the year and out of the above arrears existed at the beginning of the year, a sum of Rs.1,520,249 further remained recoverable by the end of the year.

2.3.4 Other Revenue

By-laws had not been passed relating to the recovery of charges for displaying advertisements within the area of authority of the Council and notices had been published on the recovery of charges relating to the displaying the above advertisements for the year 2017. However, a sum of Rs.97,800 had been recovered as the charges for displaying advertisements during the period from January to September 2017.

2.3.5 Court Fines and Stamp Fees

The court fines and stamp fees receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2017 amounted to Rs.15,937 and Rs.25,091,500 respectively.

2.5 Surcharges

Value of Surcharges due to be recovered as at 31 December 2017 in connection with surcharges imposed against the persons responsible in terms of Section 182 (1) of the Urban Councils Ordinance (Chapter 255) was Rs.7,924.

3. Operating Review

3.1 Performance

Matters revealed in the 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 in terms of Section 4 of the Urban Council Ordinance, are as follows.

(a) Implementation of Projects

Forty six projects at an estimated expenditure amounting to Rs.25,229,000 expected to be executed with the use of funds of the Council had been included in the Budget prepared for the year under review. Nevertheless, 21 of those projects at estimated expenditure of Rs.14,299,000 only had been executed.

(b) Solid Waste Management

Seventy five concrete waste bins had been purchased on 10 September 2017 and Rs.138,750 had been spent thereon. Although these waste bins should have been distributed under the Solid Waste Management Programme of the Council, 67 waste bins had been retained in the vehicle yard of the Council by 22 March 2018. As a result, it had limited the possibility to reduce the accumulation of wastes within the area of authority of the Council.

(c) Sustainable Development Goals

The Urban Council was not conversant with the Sustainable Development Goals and no steps whatsoever had been taken thereon during the year under review.

3.2 Management Inefficiencies

- (a) Advance totalling Rs.3,208,508 comprising sundry advances of Rs.452,595 relating to the period from 1987 to 2017 and industrial advances of Rs.2,755,913 relating to the period from 2008 to 2010 had not been settled even by 31 December of the year under review and other information relating to these advances, too, had not been furnished to Audit.
- (b) Running Charts pertaining to 14 motor vehicles of the Sabha for the year 2017 had not been furnished to Audit and expenditure of Rs.5,316,372 for fuel and Rs.606,973 for the repairs had been incurred during period from January to December 2017 in respect of those 14 motor vehicles. Since Running Charts had not been furnished, it could not be established by the Audit as to whether the above expenditure on fuel had been incurred for official purposes.

3.3 Human Resources Management

Thirty three vacancies existed relating to 11 posts of the Council as at 31 December of the year under review had not been filled.

3.4 Operating Inefficiencies

- (a) A plot of land, 1.7 perches in extent owned by the Council had been given on long term lease without being entered into an agreement.
- (b) It was observed according to the information furnished to Audit that The Gully service had not been satisfactorily maintained during the year. No service whatsoever had been provided for the people of the area of authority during the months except for the months of January, February, May and December in 2017. As a result of failure in properly maintaining the above service, Council had been deprived of the revenue which could have been earned by the Council.

3.5 Idle/ Underutilized Assets.

- (a) A Mahendra Cab costing Rs.1,300,000 had been removed from using about a period of 4 years and action had not been taken to repair and use it or dispose of the same.
- (b) A road compressor costing Rs.1,000,000 had been removed from using for over a period of 11 years.

4. **Accountability and Good Governance**

4.1 **Budgetary Control**

- (a). According to the Budget prepared for the year under review, when comparing estimated revenue and expenditure with the actual revenue and expenditure, variations from 21 per cent to 86 per cent in 05 Items of Revenue and variations from 19 per cent to 75 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 control.

4.2 **Audit and Management Committees**

Only two Audit and Management Committees had been held during the year under review.

5. **Systems and Controls**

Deficiencies observed during the course of audit were brought to the notice of the Council from time to time. Special attention is needed in the following areas of systems and controls.

Systems

Deficiencies

Accounting

Failure in updating accounts books, and existence of categorization errors.

Assets

Failure in entering into lease agreements, obtaining approval and carrying out assessments.

Stocks

Failure to maintain stock registers.

Debtors

Failure to recover the dues.

Revenue

Failure to recover the revenue in arrears.