

Talawakele –Lindula Urban Council

NuwaraEliya District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2017 had been submitted to Audit on 06March 2018andthe Auditor General’s Report relating to those financial statements was sent to the Chairman on 31 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 Talawakelle – Lindula Urban Council as at 31 December 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 Non-reconciled Accounts

When comparing the value of 03 accounts balances shown in the financial statements prepared as at 31 December of the year under review with the subsidiary documents relevant to those accounts, a difference of Rs.397,324 was observed.

1.3.2 Accounts Receivable and Payable

(a) Accounts Receivable

The Industrial Debtors balance relevant to a period ranging from 01 year to 14 years as at 31 December of the year under review amounted to Rs.2,084,114.

1.3.2 Accounts Payable

The balnces of 05 accounts payable relevant to a period ranging from 02 years to 06 years as at 31 December of the year under review amounted to Rs.1,080,012.

1.3.3 Lack of Documentary Evidence for Audit

Non-presentation of information to audit

Five items of accounts totaling Rs.10,151,824 and 2 Journal entries could not be satisfactorily vouched in audit due to non-presentation of evidence in support of values.

1.3.4 Non-compliance

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

Action in terms of Financial Regulations Nos.189 and 486 had not been taken in respect of 08 cheques worth Rs.517,900 which had been received by the Council during the period from 2002 to 2016 and had become dishonoured.

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.8,777,807 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.9,486,470.

2.2 Financial Control

- (a) At least a sum of Rs.6,500,000 had been retained in a current account of the Council at the end of each month in the year under review. Nevertheless, that amount had not been used or invested in suitable and effective manner.
- (b) The balance of Rs.410,726 brought forward since year 1993 as unrealized receipts had not been settled in the bank reconciliation statement prepared for the month of December 2017.

2.3 Revenue Administration

2.3.1 Performance in Revenue Collection

Out of the arrears in rates, trade stall rents, house rents and ground tax amounting to Rs. 4,808,551 existed at the beginning of the year under review, only a sum of Rs.2,072,048 had been recovered by the end of year and as such, recovery of revenue in arrears was not at a satisfactory level.

2.3.2 Court Fines and Stamp Fees

Court Fines amounting to Rs.854,826 and Stamp Fees relating to transfer of lands amounting to Rs.303,500 were receivable from the Chief Secretary and the other authorities of the Provincial Council as at 31 December of the year under review.

2.4 Surcharges

A sum of Rs.25,500 had not been recovered as at 31 December of the year 2017 with respect to the surcharges imposed by me in the previous years on those who should be held responsible under the provisions set forth in the Urban Council Ordinance.

3. Operating Review

3.1 Performance

Matters revealed as to be performed by the Council in relation to 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 Municipal Council Ordinance, are as follows.

(a) Solid Waste Management

Of 100 garbage bins purchased in the year 2016 to distribute among the people in the area of authority of the Council for the waste management, 23 garbage bins worth Rs.87,274 had remained undistributed even by the end of the year under review.

(b) Sustainable Development Goals

The Council was not conversant with the sustainable development goals and targets and no action whatsoever had been taken in that respect during the year under review.

3.2 Management Inefficiencies

- (a). Although validity period of the lease agreements relating to 20 stalls of the Public Market of the Council and the validity period of lease agreements relating 03 lands of the Council given on lease had expired, action had not been taken to entered into new agreements.
- (b) It had been stated that legal actions were instituted to recover the outstanding lease rent of Rs.294,896 recoverable from 04 leasees to whom trade satalla of the Council had been given on lease in previous years. Nevertheless, the evidence in support of that had not been furnished to Audit.
- (b). The pits with due standard had not been constructed to properly dispose of the waste of the cattle slaughterhouse of the Council and therefore, it had not been possible to obtain an Environmental Protection Licence for the above cattle slaughterhouse.

- (c). No action whatsoever had been taken in connection with the shortage of 697 library books valued at Rs.111,556 which had been identified at the Board of Survey carried out as at 31 December 2016.

3.3 Human Resources Management

(a) Employees Vacancies

Twenty three vacancies existed in 09 posts of the Council as at 31 December of the year under review had not been filled.

- (b) A loan amounting to Rs.88,737 due from a Health Labourer ,who had retired from the service of the Council in the year 2012, had not been recovered even by the end of the year under review.

3.4 Operational Inefficiencies

- (a) In terms of the Circular No.1988/22 dated 17 May 1988 of the Commissioner of Local Government, the assessment of properties should be carried out at least once in 05 years for the recovery of Rates. Nevertheless, such assessment had not been carried out after the year 2011.

- (b) In terms of the Circular No.03/ ප.ප.කො/2016/03 dated 17 March 2016 of the Commissioner of Local Government of Central Province, trade stall rents should be revised at least once in 05 years. Nevertheless, the rent assessed in the year 2007 for 30 trade stalls of the Council situated in the Public Market had not been revised even by the end of the year under review.

3.5 Assets Management

Although the Middleton Tourist Resort valued at Rs.1,752,818 constructed in the year 2015 in a land acquired for the Upper Kothmale Hydro Power Project with the use of financial provision of the Ministry of Provincial Council and Local Government had been given on lease at Rs.216,000 in 2017, the lesee had not continued the business due to the issues arisen on the ownership of the land and a sum of Rs.52,696 only had been recovered.

3.6 Idle Assets

- (a) The Middleton Food Sales Centre worth Rs.2,174,909 constructed in the year 2014 using provisions of the Ministry of Economic Development under provincial development programme had remained idle even by the end of the year under review without being utilized for any purpose.
- (b) A motor boat engine, a fiber motor boat and 02 peddler fiber boats worth Rs.761,900 purchased in the year 2013 using provision of the Central Provincial Ministry of Tourism for the

maintenance of a boat service associate to the Kothmale Reservoir had been retained idle in the premises of the Council.

- (c) The recycling matters purchasing centre worth Rs.1,484,256 constructed under the financial provision of the Ministry of Provincial Council and Local Government in the year under review had not been utilized for any purpose.

4 Accountability and Good Governances

4.1 Budgetary Control

According to the Budget prepared for the year under review, when comparing the estimated revenue and expenditure with the actual revenue and expenditure, variations from 18 per cent to 140 per cent in 05 items of revenue and variations from 11 per cent to 184 per cent in 08 items of expenditure were observed. Accordingly, the Budget had not been made use of as an effective tool of management control.

5. Systems and Controls

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

| System | Deficiency |
|---------------------------|--|
| ----- | ----- |
| (a). Revenue | Failure to recover the revenue in arrears. |
| (b). Debtors / Creditors | Failure to settle the old balances. |
| (c). Staff Administration | Failure to fill the vacancies. |
| (d). Assets | Failure in optimum using. |