

**Hatton - Dickoya Urban Council**  
**Nuwara Eliya District**

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1. Financial Statements

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1.1 Presentation of The Financial Statements

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The financial statements of the year 2018 had been presented to the audit on the 29 of March 2019 and the summary report of the Auditor General was sent to the Mayor on 11 May 2019 and the detailed management report sent on 29 May 2019.

1.2 The Qualified Opinion

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I am of opinion that, except the effect on the financial statements of the matters referred under the paragraph of the basis for a qualified opinion in this report, the financial statements had been prepared in accordance with generally accepted accounting principles and give a true and fair view of the state of affairs of the Hatton - Dickoya Urban Council as at 31 December 2018 and financial results of its operations for the year then ended.

1.3 The basis for a Qualified opinion

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1.3.1 Accounting deficiencies

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| Audit observation  | Recommendation  | Accounting Officer's<br>Commentary     |
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| -----  | -----   | -----                                  |
| (a) The receivable court fine amount of Rs. 645,475 and capital aid amount of Rs. 1,074,594 that had accounted by the journal entries had not been credited to the income and expenses account.                    | Accounts should be corrected.   | Corrected by journal entries for 2019. |
| (b) An amount of Rs.421, 315 that should be accounted as income of the year and an amount of Rs. 174,700 which should be credited to the accumulated fund had been remained in deposit account without accounting. | Deposits should be carried out in accordance with the Financial Regulations | Correction after by audit pointed out. |

1.3.2 Lack of written evidence required for the audit

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Failure to submit information to the Audit  
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Audit observation

Recommendation

Accounting Officer's  
Commentary  
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Four account subjects valued at Rs. 12,223,996 could not be satisfactorily vouched in audit due to failure to submit detailed schedules, survey reports balance confirmations.

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The evidence for confirmation the balances in financial statements should be submitted to audit.

I will provide necessary information in the future.

1.4 Commenting on Financial Statements

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1.4.1 Accounts Receivable and Accounts Payable  
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(A) Accounts Receivable  
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Audit observation

Recommendation

Accounting Officer's  
Commentary  
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A total receivable amount of Rs.13,135,912 of 04 accounts which had elapsed of a time difference between 07 to 29 years on 31 December in the year under review had not been recovered.

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Actions should be taken to recover the receivable balances.

Action to be taken in the future for recovery.

(B) Accounts Payable  
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Audit observation

Recommendation

Accounting Officer's  
Commentary  
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A payable amount of Rs. 174,468 which had elapsed 03 to 07 years as at 31 December in the year under review had not been settled.

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Actions should be taken to settle the relevant balances.

That it will be settled in the future.

1.5 Non-compliance

1.5.1 Non-compliance with laws, rules, regulations and management decisions

The following are instances of non-compliance with laws, rules, regulations and management decisions

| References<br>To rules and<br>regulations and<br>management<br>decisions                | Non-compliance  | Recommendation   | Accounting<br>Officer to s<br><br>Commentary |
|---|---|--|--|
| Financial Regulations<br>571 Of the<br>Democratic Socialist<br>Republic of Sri<br>Lanka | It was kept in the<br>deposit account without<br>complying with the<br>financial regulations. | Taking actions<br>according to the<br>Financial<br>Regulations | That it will be<br>settled in the<br>future. |

2. Financial Review

2.1 Financial Results

According to the financial statements presented, excess of revenue over recurrent expenditure of the Sabah for the year ended 31 December 2018 amounted to Rs.36, 902,395 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.54, 850,010.

2.2 Financial control

| Audit observation  | Recommendation   | Accounting Officer's<br>Commentary  |
|--|--|---|
| Although the funds that not requires immediately for purposes of the Sabah should be invested in approved security according to the Subsection 158 (4) of the Municipal Council Ordinance (authority 255), an amount of more than Rs.44,000,000 had been remained in 02 current accounts in the whole year without investing so. | Attention should be paid to the provisions of the Act. | Money has been retained for the purpose of purchasing land machine equipment for the solid waste management project |

2.3 Revenue Administration

2.3.1 Estimated Income, Billed Income, Accumulated Income and Deficit Income

Details of Estimated Revenue, Billed Income, Accumulated Revenue and Arrears of Revenue for the nine months ended 31 December 2018 of the sabha which were established on 20 March 2018 are as follows.

| Source of income     | 2018              |                   |                   |                                   | 2017              |                   |                   |                                   |
|----------------------|-------------------|-------------------|-------------------|-----------------------------------|-------------------|-------------------|-------------------|-----------------------------------|
|                      | Estimated income  | billed income     | Income collected  | Total deficit as of December 31st | Estimated income  | billed income     | Income collected  | Total deficit as of December 31st |
|                      | Rs.               | Rs.               | Rs.               | Rs.                               | Rs.               | Rs.               | Rs.               | Rs.                               |
| Assessment and Taxes | 17,250,000        | 18,023,950        | 15,554,625        | 7,499,127                         | 12,250,000        | 17,671,816        | 15,285,476        | 5,030,602                         |
| Rent                 | 18,540,000        | 14,277,670        | 12,034,313        | 6,721,223                         | 20,120,000        | 14,692,519        | 14,171,292        | 4,297,588                         |
| License fee          | 18,880,000        | 867,816           | 870,816           | -                                 | 15,275,000        | 2,318,939         | 2,344,939         | 9,000                             |
| Other Income         | 12,955,000        | -                 | 5,143,499         | -                                 | 18,676,000        | -                 | 20,486,608        | -                                 |
| <b>total</b>         | <b>67,625,000</b> | <b>33,169,436</b> | <b>33,603,253</b> | <b>14,220,350</b>                 | <b>66,321,000</b> | <b>34,683,274</b> | <b>52,288,315</b> | <b>9,337,190</b>                  |

2.3.2 Performance of revenue collection

Court fines and stamp fees

Audit observation

A receivable amount of Rs. 661,412 court fines and an amount Rs. 23,415,180 stamp duty as at 31 December of the year under review had not been collected.

Recommendation

Actions should be taken to collect the money timely.

Accounting Officer's Commentary

Actions will take to collect them immediately.

3 Operational review  
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3.1 Performance  
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Following are the observations on the performance of the functions of the Council under the provisions of Section 4 of the Urban council Ordinance, the regulation and control of public health, public utility services and public roads, the welfare, convenience and welfare of the public.

(A) By-laws  
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Audit observation  
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By-laws were to be enacted for three main purposes under section 157 of the Municipal Ordinance, but bylaws had not been enacted relating to any issue until 31 December 2018.

Recommendation  
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The bylaws should be enacted according to the Municipal council ordinance.

Accounting Officer's  
Commentary  
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Letters have been sent to the Chief Minister requesting the approval of the by-laws.

(B) Gulley service  
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Audit observation  
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As there was no place to dispose of sewage, the council's gulley service was served only on two occasions during the year

Recommendation  
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Service should be provided by build a Recycling unit.

Accounting Officer's  
Commentary  
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According to a court order, the disposal site of the sewage sludge is prohibited and will be re-served after preparing a suitable location.

(C) Biogas Production Project  
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Audit observation  
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The biogas unit constructed in 2015 by expending an amount of Rs .1, 964,375 had been abandoned due to none performing.

Recommendation  
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Action must be taken to keep the biogas unit operating.

Accounting Officer's  
Commentary  
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Future plans are to continue the project with proper supervision.

(D) Juki Training Centre  
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Audit observation  
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The juki machine the training centre that had running training at municipal council building had not been performed since the time of 06 years. And the 06 juki machines had been remained idle until 24 January 2019.

Recommendation  
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Actions should be taken to perform the project.

Accounting Officer's  
Commentary  
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The centre is in the process of commencing work and I will commence work in the future.

(E) Nena Piyasa  
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Audit observation  
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The operations of the " Nena Piyasa" centre had been stopped and the equipment had been remained idle until 24 January 2019.

Recommendation  
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Actions should be taken to perform the project.

Accounting Officer's  
Commentary  
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The centre is in the process of commencing work and I will commence work in the future.

(f) Sustainable Development Goals  
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Audit observation  
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While the council had not allocated the provisions for Sustainable development objectives and targets in the approved budget for the year 2018 and the specific tasks in this regard had not done in the year under review.

Recommendation  
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Planning to achieve sustainable development objectives and targets.

Accounting Officer's  
Commentary  
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The goals included in the 2019 budget proposal.

(G) Solid Waste Management  
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Audit observation  
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10 concrete waste bins worth of Rs.37, 000 which had brought in 19 September 2017 had been remained in the car park of the council without distributing.

Recommendation  
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Actions should be taken to distribute immediately.

Accounting Officer's  
Commentary  
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It will distribute in future.

3.2 Management Inefficiencies  
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Audit observation  
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No amount has been recovered from the Rs. 825,240 due from January to December 2018 for the Hatton Rest House belonging to the Urban Development Authority.

Recommendation  
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Action should be taken to recover the money as per the agreement.

Accounting Officer's  
Commentary  
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I will hold discussions with the Urban Development Authority and obtain funds in the future.

3.3 Human Resource Management  
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(A) Vacancies and redundancies  
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Audit observation  
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As of December 31 of the year under review, there were 72 vacancies in 16 posts in the council.

Recommendation  
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Action should be taken to fill the vacancies.

Accounting Officer's  
Commentary  
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The answer had not been received.

(B) Disciplinary action  
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Audit observation  
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While a Guardian of the storage in had pensioned 16 December 1996 under the 2.12 of Pension

Recommendation  
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Actions should be taken according to the order by carrying the disciplinary

Accounting Officer's  
Commentary  
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All the work related to retirement benefits has been completed

Minutes and he had killed in 13 January 2015. While it had elapsed more than 21 years from pensioning the relevant disciplinary investigations had not been carried out and actions had not been taken accordingly until 24 January 2019.

investigations.

currently.

### 3.4 Operational inefficiencies

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#### Audit observation

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The Minister's approval had not been obtained in terms of Section 36 (e) (II) of the Urban Council Ordinance relating to 84 instances of leasing of municipal lands.

#### Recommendation

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Action should be taken to obtain necessary approvals and future activities to prevent such a situation.

#### Accounting Officer's Commentary

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I will seek the approval of the Hon. Minister.

### 3.5 Assets Management

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#### 3.5.1 Idle assets and under utilized

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#### Audit observation

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- (a) Four of the vehicles that had been removed from running within a time ranged from 8 months to 22 years and were parked in the car yard without being repaired or used or disposal.
- (b) The MAS Abusali Hall that situated Dickoya town belonging to the council and its equipment, were closed in the whole year without utilizing.

#### Recommendation

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- Actions should be taken as appropriately.
- Work needs to be looked at for its ability to be reformed and utilized.

#### Accounting Officer's Commentary

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- In 2019, steps will be taken.
- In 2019, action will be taken.



2.7.3 Utilization of Vehicles.

| Audit observation  | Recommendation   | Accounting Officer's<br>Commentary                     |
|--|--|--|
| -----  | -----  | -----  |
| (a) Daily running charts of 14 vehicles of the council for the year 2017 and 2018, had not been presented to the audit.  | It should be presented to the audit promptly.  | That it will present in future after completing.       |
| (b) An amount of Rs.5, 749,895 for fuel of those 14 vehicles and an amount of Rs. 681,025 for repairs had been spent in the year 2018. And it could not be confirmed that the fuel expenses were incurred for official duties due to non-submission of the daily running charts. | It should be presented to the audit promptly   | That it will present in future after completing.       |
| (c) It had not been carried out the fuel combustion test of those 14 vehicles in accordance with the Public Administration Circular 30/2016 dated on 29 December 2016.   | Actions should be taken according to those recommendations by carrying out a fuel combustion test. | That it will be done a fuel combustion test in future. |