

Haputhale Urban Council
Badulla District

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year 2018 had been submitted for audit on 25th February 2019 and the summary report of the Auditor General of the financial statements had been sent to the Chairman of the Council on 24 May 2019 and the detailed management report had been sent on 31 May 2019.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Haputhale Urban Council as at 31st December 2018 and its financial performance for the year than ended in accordance with generally accepted accounting principles.

1.3.1 Basis for Qualified Opinion

(a) Accounting deficiencies

	Audit Observation	Recommendation	Opinion of the Accounting Officer
(i)	Expended amount of Rs.212,751 in respect of miscellaneous expenditures and things purchased had not been posted in the accounts in reviewed year.	Accounts should be correctly rectify.	Accounts will be taken to rectify in forward year.
(ii)	Payable amount of Rs.185,280 in respect of stationary purchased had been posted in the accumulated funds in reviewed year.	Accounts should be correctly rectify.	Accounts will be taken to rectify in forward year.
(iii)	Machinery and equipment value of Rs.717,150 had been posted as a Rs. 951,150 in the accounts in reviewed year.	Accounts should be correctly rectified.	Action will be taken to rectify in forward year.

Documentary Evidence for Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
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It was unable to satisfactorily vouch in audit due to non presented of two items of assets valued Rs.63,661,805, assuring certificate detailed documents and time analysis.	Assuring certificates in respect of balance of accounts that appearing in the financial statements should be presented.	Subject officer has been done aware correctly due to non documentary of lands and buildings.

1.4 Non Compliance

Non Compliance with Laws, Rules, Regulations and management Decisions

Reference to laws, rules, regulations and management decisions.	Non Compliance	Recommendation	Comments of the Accounting Officer
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(a) Urban council ordinance (i) Section (1) 170 (a)	Balance of revenue amounted to Rs.19,672,549 had not been collected in reviewed year.	Action should be taken to fulfill accounting provisions of ordinance.	Miscellaneous programs had been opened to collect arrears of revenue in year 2019.
(ii)Section 180	With regard to receipts and payments reports and administrative reports in respect of 2015, 2016, 2017 and 2018 had not been presented to council anal and non minister.	Action should be taken to according to Urban council ordinance.	Control of officers had been established in years 2015, 2016, 2017.

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| (b) | 371 Financial Regulation of the democratic Socialist Republic of Sri Lanka | An imprest account balance Rs.140,480 had not been settled in 12 instence | Action must be taken to recover the impeachment. | Subject Officers should be given in instraction for this matter settled.21 years old this balance information couldn't find easily. |
| (c) | Circular No.1988 / 22 and dated on 17 May 1988 of Local Government Commissioner. | Property should be valued once to five ears but property had not been valued after year 2007 in spite of valuation of property, assessment tax had been collected. | With regard to the valuation of property had been requested from the chief valuation officer but chief valuation officer had not taken for action to value the property, there action will be taken to value of property. | Administrative report had not been prepared in year 2018 there for action will be taken to prepare the administrative report in year 2019. |

2 Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Urban Council for year ended 31 December 2018, amounted to Rs.15,665,338 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.8,135,459.

2.2 Revenue Administration

2.2.1 Estimated revenue, Revenue billed, Revenue collected and the Arrears of revenue

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below

Source of revenue	2017							
	Estimated revenue	Revenue billed	Revenue collected	Total arrears as at 31December	Estimated revenue	Revenue billed	Revenue collected	Total arrears as at 31 December
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
(i) Rates and taxes	1,845,351	1,845,351	1,565,961	279,391	1,843,076	1,843,076	1,644,528	429,308
(ii) Rent	16,444,277	16,444,277	10,529,520	5,914,757	10,569,732	10,569,732	7,962,686	2,607,046
License fees	325,000	325,000	737,002	-	805,000	805,000	586,937	218,063
Other revenue	1,057,921	1,057,921	565,185	492,736	1,539,635	1,539,635	873,440	666,195
<u>Total</u>	<u>19,672,549</u>	<u>19,672,549</u>	<u>13,397,668</u>	<u>6,686,884</u>	<u>14,757,443</u>	<u>14,757,443</u>	<u>11,067,591</u>	<u>3,920,612</u>

2.2.2 Performance in Collection of Revenue

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Total revenue billed in reviewed year is Rs.19,672,549. By the end of the year amount of Rs.6,686,884 had not been collected. It is 34% by revenue billed.	Arrears of revenue should be collected.	Deficit income is being recovered The programme will be implimented.
(b) From more than five years accumulated amount of water fees, seals fees, rest house fees are Rs.4,967,666 but action had not been taken to collect this accumulated fees.	Receivable amounts should be collected.	Balance of water fees had been existed from year 2007. In respect of this matters had been inquired from water resources board, but answers had not been given. Relevant person had been done aware. But upto date, payable amounts had been paid with

regard to arrears of revenue relevant officers had been done aware. In this connection a case had been filled in a supreme court.

2.2.3 Assessment tax and rental income

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Rs.279,391 had not been collected as at 31 st December of the taxable income from the Rs. 1,845,351 billed in the year under review.	Rent of arrears to be recovered.	A sum of Rs. 30,458 has been recovered by now and I will take immediate action to recover the remaining arrears.
(b) Rental income of Rs.16,444,277 billed in the year under review Rs. 5,914,757 had not been recovered as at 31 December.	Dificit Rent should be recovered.	At pretent amounting Rs.1,133,213 were recovered and amounting Rs.2,870,576 of daily fair deficit and there no income of business in the fair of stall.

2.2.4 Court fines and stamp fees

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Court fine -		
Arrears of receivable court fines as at 31 December, in reviewed year is Rs.282,910.	Arrears of court fines should be collected.	In respect of the months non received revenue relevant documents had been sent. Action will be taken of re collect.
(b) Stamp fees		
Arrears of receivable stamp fees, as at 31 December in reviewed year is Rs.1,209,641.	Arrears of stamp fees should be collected.	An amount of Rs.684,476 in respect of stamp fees had been received. Action will be taken to collect remaining balance.

3 Operating Review

3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Urban Council. Such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public facilities welfare etc.

(a) Bye – laws

Audit Observation	Recommendation	Comments of the Accounting Officer
Bye laws should be imposed in respect of twenty five (25) main matters according to the Town Council ordinance, under the section of 157 but bye-laws had not imposed in respect of twenty four (24) main matters as at 31 December in reviewed year.	In respect of main matters non imposed, bye-laws should be imposed.	Action will be taken to refer to provincial council for legalization.

(b) Sustainable Development Goals

Although Council had been aware of the “2030 agenda of Sustainable Development”, indexes for measuring the sustainable goals that the council can implement had not been identified.	Progress should be measured after identifying the indexes for measuring goals of sustainable development.	Action will be taken to identify the indexes for measuring goals of sustainable development
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3.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
Received income debtors Rs.16,057,332 had not been recovered in the year under review	Recoverable income should be recovered	Debtors Rs.350,435 had been settled from 30 April 2019

3.3 Identified Losses

Audit Observation	Recommendation	Comments of the Accounting Officer
Due to breach of the conditions of agreements by the tender of No.5 beet stall at the market. As a result of breach of conditions, business officers had been suspended amount of Rs.648,340 that council had paid to the tender should be deposited to the council fund. But amount of Rs.648,340 had been repaid to the tender. By this payment a financial loss had been occurred.	With regard to the payments should be paid by the council as non been loss.	All the action that need to fulfill had been followed. But due to unbalances to control by the council, earnable revenue had been lost.

3.4 Procurement

Audit Observation	Recommendation	Comments of the Accounting Officer
Procurement plan for the reviewed year had not been prepared.	Procurement plan should be prepared.	Action will be taken to prepare the procurement plan.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
An internal audit had not been done for the reviewed year.	An internal audit should be done.	Action will be taken to commence the audit and management committee by the department of Local Government.

4.2 Implementation of Audit and Management Committee

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Accounting Officer

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