

**Haputhale Urban Council**  
**Badulla District**

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**1. Financial Statements**

**1.1 Presentation of the Financial Statements**

The Financial Statements of the year 2019 had been presented to the audit on 29 January 2020, the summary report of the Auditor General on those financial statements and the detailed management report had been forwarded to the chairman on 18 May 2020 and 27 May 2020 respectively.

**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 31 December 2019, and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Basis for Qualified Opinion**

**a) Accounting Deficiencies**

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(i) Rs. 3,997,565 due for 04 constructions of the year under review had not been accounted.	It should be accounted correctly.	I agree with the observation.
(ii) The office of the Commissioner of local government had informed that Member allowances amounting to Rs. 147,200 and trainee allowances amounting to Rs. 6,360 relating to previous year could not be reimbursed. Although those amounts should be debited to accumulated fund account and credited debtors, It had been accounted as sundry expenses.	It should be accounted correctly.	I agree with the observation.

**b) Lack of evidence for Audit**

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Ownership confirmation documents and detailed schedules relating to account balance of land and building amounting to Rs. 56,470,678 had not been presented to the audit.	Evidences confirming account balances should be presented.	I agree with the observation.

**1.4 Non compliance**

**Non compliance with laws, rules, regulations and management decisions**

<b>Reference to laws, rules regulations and management decisions</b>	<b>Non compliance</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) <u>Urban Councils Ordinance</u>			
Section 180(1)(2)	Detailed report regarding receipts and disbursements had not been presented for the years from 2015 to 2019.	Action should be taken in accordance with Urban Councils Ordinance.	I agree with the observation.
(b) <u>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</u>			
Financial Regulation 371	Sub-impressts amounting to Rs.140,480 that had been granted in 12 occasions and elapsed more than 2 years had not been settled.	Action should be taken in accordance with Financial Regulations.	I agree with the observation.

## **2 Financial Review**

### **2.1 Financial Results**

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2019 has been Rs. 12,254,246 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs. 15,665,338.

### **2.2 Revenue Administration**

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

Presented information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue for the year under review and the preceding year are as follows.

Source of Revenue	<u>2019</u>				<u>2018</u>			
	Estimated Revenue	Revenue Billed	Revenue collected	Arrears as at 31December	Estimated Revenue	Revenue Billed	Revenue collected	Arrears as at 31December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	1,846,014	2,062,126	1,967,572	94,554	1,845,351	1,845,351	1,565,961	279,391
(ii) Rent	17,775,987	16,152,406	13,484,476	2,667,930	16,444,277	16,444,277	11,347,817	5,096,460
(iii) License Fees	735,000	568,850	568,850	-	325,000	325,000	380,600	(55,600)
(iv) Other Revenue	1,274,026	1,097,810	1,120,419	(22,609)	1,057,921	1,057,921	1,517,147	(459,226)
Total	21,631,027	19,881,192	17,141,317	2,739,875	19,672,549	19,672,549	14,811,525	4,861,025

#### **2.2.2 Performance in Revenue Collection**

##### **Audit observation**

Revenue debtors amounting to Rs. 14,092,761 that had elapsed more than 5 years had not been recovered.

##### **Recommendation**

Arrears of revenue should be recovered.

##### **Comments of the Accounting Officer**

I agree with the observation.

#### **2.2.3 Court Fines and Stamp Fees**

##### **Audit observation**

Arrears of Court fines amounting to Rs. 404,686 and arrears of Stamp fees amounting to Rs. 441,294 due as at 31 December of the year under review had not been recovered.

##### **Recommendation**

Arrears of Court fines and arrears of Stamp fees should be recovered.

##### **Comments of the Accounting Officer**

I agree with the observation.

**3. Operating Review**

**3.1 Performance**

The following matters were revealed with regard to duties to be fulfilled by the Council in terms of Section 4 of the Urban Councils Ordinance, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities and welfare.

**(a) By-laws**

**Audit observation**

**Recommendation**

**Comments of the Accounting Officer**

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Although by-laws should be imposed for 25 purposes under section 157 of the Urban Councils Ordinance, by-laws have not been imposed for 24 purposes as at 31 December of the year under review.

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By-laws should be imposed for the purposes that by-laws have not been imposed yet.

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I agree with the observation.

**(b) Sustainable Development Goals**

**Audit observation**

**Recommendation**

**Comments of the Accounting Officer**

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Although there was awareness with regard to “Sustainable Development Agenda-2030” of the United nations, Indexes for measuring sustainable objectives and goals which could be applied to the Urban Council had not been identified.

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Indexes for measuring sustainable objectives and goals should be identified, and progress in reaching those should be measured accordingly.

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I agree with the observation.

**(c) Environmental Protection License**

**Audit observation**

**Recommendation**

**Comments of the Accounting Officer**

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Although the institutes that discharge wastes and wastewater to the environment should annually obtain an Environmental Protection License, 29 institutes had not obtained an Environmental Protection License.

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Environmental Protection License should be issued for relevant institutes.

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I agree with the observation.

### 3.2 Management Inefficiencies

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) Although the properties of the Urban Council should be assessed once in 5 years in accordance with Circular No. 1980/46 dated 31 December 1980 of the commissioner of Local Government, rates chargeable properties in Urban Council area had not been assessed after the year 2007 and had been charged rates.	Action should be taken in accordance with circular.	I agree with the observation.
(b) Payable accounts amounting to Rs. 1,479,176 that had elapsed more than a year had not been settled.	Action should be taken to settle payable accounts.	I agree with the observation.

### 3.3 Procurement

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) A Procurement plan had not been prepared for the year under review.	A Procurement plan should be prepared.	I agree with the observation.
(b) Although a retention amount should be retained in the maintenance period of supplies and contract works according to the section 5.4.6 of Procurement Guidelines, a retention amount had not been retained for 4 constructions worth of Rs. 393,598 of the Council and paid total amount to the contractor.	Action should be taken in accordance with Procurement guidelines.	I agree with the observation.
(c) Although one of the three members of a Regional procurement committee should be admitted from outside organization according to section 2.7.7 of Procurement Guidelines 2006, It had not been done in 6 occasions.	Action should be taken in accordance with Procurement guidelines.	I agree with the observation.

#### **4 Accountability and Good Governance**

##### **4.1 Audit and Management Committee**

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- Only 02 Audit and Management Committee meetings had been held in the year under review.	----- Audit and Management Committee meetings should be held at least once in a quarter.	----- I agree with the observation.

##### **4.2 Internal Audit**

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- An internal audit had not been conducted in the year under review.	----- An internal audit should be conducted.	----- I agree with the observation.