

Talawakele Lindula Urban Council

Nuwaraeliya District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 20 February 2015 while Financial Statements relating to the preceding year had been submitted on 28 February 2014. The Auditor General's Report relating to the year under review was sent to the Chairman of the Council on 06 July 2015.

1.2 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 2014 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounts Receivable

While the total of 02 Accounts Receivable as at 31 December 2014 amounted to Rs.50,595,587, out of that total of account balances that had elapsed one year had been Rs.14,153,494.

1.3.2 Accounts Payable

While the total of 03 Accounts Payable as at 31 December 2014 amounted to Rs.60,801,927, out of that total of account balances that had elapsed one year had been Rs.18,182,556.

1.3.3 Lack of evidence for audit

- (a) Transactions totaling Rs.116,092 could not be satisfactorily examined or accepted in audit due to non-submission of required information to audit.

- (b) Evidence was not submitted to ensure that the sum of Rs. 1,064,602 related to a period ranging from 01 to 13 years due for 08 Projects from various Ministries of the Central Government as at 31 December of the year under review could be received any further.

1.3.4 Non-compliance with Laws, Rules, Regulations etc.

Following instances of non-compliance with Laws, Rules, Regulations and Management Decisions were observed in audit.

Reference to Laws, Rules Regulations and Management Decisions	Non-compliance
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(a.) Clause 4.6 in Chapter XXIV of the Establishments Code of the Republic of Sri Lanka	Action had not been to recover Staff Loans amounting to Rs. 212,233 due from 08 employees who had deceased after serving the Council and whose details could not be identified.
(b.) Financial regulation No. 571 of the Republic of Sri Lanka	Action had not been taken to clear Deposits valued at Rs. 574,254 that had elapsed more than 02 years from the date of deposit.

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 2014 amounted to Rs. 2,466,729 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 5,085,826. Accordingly, a decline of Rs. 2,619,097 was observed in the financial results.

2.2 Analytical financial Review

When the surplus for the year under review is compared with the surplus for the preceding year, there had been a decrease in a sum of Rs. 2,619,097. It was due to decrease of revenue in 03 revenue items in a range from 01 per cent to 55 per cent and increase of expenditure in 04 expenditure items in a range from 16 per cent to 235 per cent.

2.3 Revenue Administration

2.3.1 Performance in Revenue Collection

Revenue Item	Arrears as at 01.01 2014	Recoveries out of arrears as at 01.01.2014	Billings during the year 2014	Recoveries out of billings during the Year	Out of Arrears as at 01.01.2014	Arrears as at 31 December 2014	
						Out of billings for the year	Total Arrears
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates	3,886,081	2,616,662	6,912,939	4,138,297	1,249,419	2,774,641	2,774,642
Lease	462,003	13,893	2,801,070	2,606,697	448,110	194,372	642,482
Rent	-	-	1,598,700	1,598,700	-	-	-
Other	77,623	47,486	1,469,359	1,368,454	31,137	100904	138,541

2.3.2 Rates

Action in terms of Section 170 of the Urban Councils Ordinance had not been taken to recover the sum of Rs. 2,774,642 outstanding as at 31 December of the year under review.

2.3.3 Court Fines and Stamp Fees

Stamp Fees amounting to Rs. 351,500 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2014.

3. Operating Review

3.1 Performance Evaluation

It was difficult to ensure the performance through the Progress Reports prepared indicating the physical and financial performance in order to ensure conformation to the Annual Action Plan.

3.2 Improper Transactions

Although the Micro Type Cab Vehicle No.CPPB-8670 belongs to the Urban Council had been repaired for a sum of Rs. 324,846, the recommendation of a Mechanical Engineer had not been obtained.

3.3 Idle and Under-utilized Physical Assets

- (a) Although a period of 07 years have elapsed since the year 2006 after the purchase of Agro Tech Multi Chopper Machine for crushing garbage, it had been kept idle up to 31 December 2014 without being used.

- (b) A sum of Rs. 100,000 had been paid on 24 July 2014 for the purchase of a Water Bowser valued at Rs. 390,000 according to the Council decision dated 07 March 2014. In spite of that fact a Bowser is available at the Urban Council without a specific use, another Bowser had been purchased outside the proper tender procedure and had been kept idle for more than 06 months.

3.4 Contracts Administration

Following observations are made.

- (a) A sum of Rs. 8,368,886 had been spent as at 24 September 2014 for “Seva Piyasa” consisting three floors which is being constructed through funds obtained by the Urban Council from various sources. While a proper plan and estimate had not been prepared for this building which is being constructed through societies in the area in 4 stages exceeding the estimate limits of the Technical Officer violating the provisions in Public Finance Circular No. 01/2012 dated 05 January 2012, it was observed in audit that the accessories fixed for this building were not up to the specified standards as at the date of inspection.
- (b) Accessories and Fittings utilized for the Middleton Tourist Rest constructed having spent a sum of Rs. 1,885,376 out of provisions made available for development works of low income group Local Authorities through the Central Provincial Council were not in conformity with the specified standards. After pointing out this matter by the audit, the contractor had been informed to fixed accessories of high standard.

3.6 Budgetary Control

According to the Budget prepared for the year under review, when estimated revenue and expenditure are compared with the actual revenue and expenditure, variations from 5 per cent to 213 per cent in 07 Items of revenue and variations from 18 per cent to 246 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.

4. Systems and Controls

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Special attention of the Sabha is needed in the following areas of controls.

- (a.) Accounting
- (b.) Internal Control
- (c.) Revenue Administration
- (d.) Debtors and Creditors Control
- (e.) Assets Management