

Tangalla Urban Council
Hambanthota District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 07 May 2015 while Financial Statements relating to the preceding year had been submitted on 14 July 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Council on 13 August 2015.

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 Tangalla Urban Council as at 31 December 2014, 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 Accounting Deficiencies

Following observations are made.

- (a.) While a sum of Rs.489,333 had been set off against the payments due to the Council, being overpayment for providing cleaning services in the Tangalla Base Hospital during April to December during the preceding year, that value had not been taken to the revenue for the year under review.
- (b.) Director General of Public Finance had informed the Council by his letter No.PFD/ACC/06 dated 23 July 2012 that the Stamp Fees to be reimbursed from the Central Government will be paid to the Council through making payments to the Provincial Council after 31 December 2010, in terms of the Public Fiscal Policy Circular No.01/2010. However, a total sum of Rs. 750,790 had been

provided under Debtors as Stamp Fees Reimbursable for the period from the year 2011 to 2014 even thereafter.

- (c.) Although the amount to be reimbursed as at 31 December 2014 in respect of 28 Works approved during the preceding year according to the payment reports was Rs. 13,664,063, a sum of Rs. 13,766,167 had been provided under Debtors, overstating in a sum of Rs. 102,104. The value of Creditors provided as at the end of the year under review too had been overstated to that extent.
- (d.) Although the full amount of Rs. 157,115 for two Works approved and fulfilled during the years 2009 and 2010 had been received to the Council, it had been included as an amount receivable further, in the value of Debtors as at 31 December 2014.
- (e.) Although a provision of Rs. 4,375,808 had been made under Creditors in respect of Local Government Pension Contributions as at 31 December 2014 by the Council, according to the Provincial Public Service Pension Contributions Bills and payment particulars that amount had been Rs. 4,431,084. Accordingly, provision made had been understated in a sum of Rs. 55,276.
- (f.) Expenditure incurred during the year under review totalling Rs. 488,692 had not been capitalized.

2. Financial and Operating 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.951,312 as against the excess of recurrent expenditure over revenue for the preceding year amounted to Rs. 812,559.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

Information furnished by the Chairman relating to Estimated Revenue, Actual Revenue and Arrears of Revenue are shown below.

Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	2,700	2,541	2,060
(ii.) Lease Rent	8,436	5,860	2,676
(iii.) Licence Fees	446	344	32
(iv.) Other Revenue	94,754	94,754	3,813

2.2.2 Rates

While outstanding arrears of Rates as at 31 December 2014 were Rs. 2,060,122, out of that a sum of Rs. 1,572,207 was relevant to the preceding year. While it was about 76 percent of the total arrears, action in terms of Section 170(a) of the Urban Councils Ordinance had not been taken to recover those arrears.

2.2.3 Lease Rent

While outstanding arrears of Lease Rent as at 31 December 2014 were Rs. 2,675,838, out of that a sum of Rs. 2,284,842 was revenue receivable for the Rest House belongs to the Council. While it was about 85 per cent of the total arrears, action in terms of Section 170(a)(1) of the Urban Councils Ordinance had not been taken to recover those arrears.

2.2.4 Legal actions

While cases had been filed for recovery of Revenue in arrears amounting to Rs.3,797,932 as at the commencement of the year under review, a sum of Rs.120,000 only had been recovered out of this amount during the year. The amount further outstanding as at the end of the year was Rs.3,677,932.

3. Operating Review

3.1 Management Inefficiencies

(a.) Multi-Purpose Mobile Booths

Although 10 Canopy Covering Booths valued at Rs. 270,000 had been provided to the Council under the Development Programme for Minimizing Poverty in Provinces, implemented through budget proposals for 2013 by the Ministry of Local Government and Provincial Councils, only 05 booths had been entered in the Inventory. Those Booths too were not available in the Council at the physical inspection carried out on 07 July 2015 and any information was not furnished with regard to the 05 Booths not taken to the Inventory.

(b.) Shortage of Goods

It was observed in the physical inspection carried out on 07 July 2015, that 03 Parts of Equipment recorded in the Inventory register relating to the Ambulance No.LW 0344 and the Lorry No.LE 1134 belong to the Fire Extinguish Unit were not physically available.

3.2 Contract Administration

Following matters are observed.

(a.) Danketiya Weera Avenue

Although construction work of the alternative road connecting to the Danketiya Road across the Danketiya Weera Avenue, estimated for sum of Rs. 40 million, should be carried out after selection of a contractor through competitive bidding in terms of Clause 3.2 of the Government Procurement Guidelines, contrary to that, this Work had been divided into 40 parts at Rs. 1,000,000 per part and had been performed having assigned those to approved societies. There was no

connection to the Weeraketiya Main Road or to the Tissamaharama Main Road from the point of commencement or end of the construction. Due to that, utility of this work had been questionable although the road had been constructed at a very high cost.

(b.) Physical Inspection of Works

Matters revealed at the physical inspection carried out on 24 June 2015 with regard to few works implemented by the Council are shown below.

(i.) Construction of Sub-way located in the Panghavasa Avenue with the Retaining Wall Stage I, II and III

This Work estimated for Rs. 3,000,000 had been fulfilled having assigned it to an Approved Society and payments totalling Rs. 2,894,016 had been made after preparing the payment reports.

- * According to the payment report, a sum of Rs. 1,466,136 had been spent for the construction of side hedges on both sides of this road. Although it was possible to make concrete hump in order finish the road on the left side, a side hedge had been constructed. It was observed that the side hedge had been put up around the land belongs to private land lord and that a wall had been put up on the side hedge by the private land lord and that the wall had been put up in such a manner that the side hedge had gone inside the private land.
- * When constructing the side hedge on the right side of the road, it had been Constructed covering the back side part of the land belongs to a private Land lord.
- * While making the road surface by fixing concrete blocks, concrete blocks had been fixed up to the gate of a land belongs to a private land lord, using state funds. It was observed that that concrete blocks had been fixed including the part in front of an incomplete house without occupants as well and that the road had ended in front of that house.

(ii.) Roads Development Works of Main Access Road to Indipokunagoda North Urban Houses Stage 1 and Access Road to Indipokunagoda Beliatta Road Urban Houses

These two Works for developing the roads by fixing concrete blocks to a length of 87 meters had been fulfilled having assigned it to an Approved Society and payments totalling Rs. 999,454 had been made after preparing the payment reports. Although payments totalling Rs. 61,551 had been made indicating that the ABC Mixture was applied to the base of the road to a length of 41 meters and to thickness of 3 inches to this road of which total length had been 87 meters, when concrete blocks were removed and examined in three places of the road it was observed that the ABC Mixture had not been applied and only metal dust had been utilized.

4. Systems and Controls

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

- (a.) Accounting
- (b.) Revenue Administration
- (c.) Vehicles Maintenance and Control
- (d.) Staff Management