

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 29 February 2016 while Financial Statements relating to the preceding year had been submitted on 20 February 2015. The Auditor General's Report relating to the year under review was sent to the Secretary of the Council on 15 June 2016.

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 2015 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounts Receivable and Accounts Payable

(a) Accounts Receivable

While the total of 02 Accounts Receivable as at 31 December 2015 amounted to Rs.15,142,563, out of that total of account balances that had elapsed one year had been Rs.7,60,995.

(b) Accounts Payable

While the total of 03 Accounts Payable as at 31 December 2015 amounted to Rs.9,595,206, out of that total of account balances that had elapsed one year had been Rs.8,422,796.

1.3.2 Non-reconciled Control Accounts

There was a continuous non-reconciled sum of Rs.410,726 between the Cash Book balance and the bank statement balance, which had not been identified.

1.3.3 Lack of Evidence for Audit

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

(b) Evidence was not furnished in audit to ensure that the sum of Rs.1,064,602 relevant to a period ranging from 03 to 12 years shown as due for 08 Projects from various Ministries of the Central Government as at 31 December of the year under review could be received in the future.

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 2015 amounted to Rs.6,486,183 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.2,466,729. Accordingly, an improvement of Rs.4,019,454 was observed in the financial results.

2.2 Analytical financial Review

Improvement of financial results in a sum of Rs 4,019,454 was mainly due to the Increase of revenue in 04 revenue items and decrease of expenditure in 03 expenditure items.

2.3 Revenue Administration

2.3.1 Performance in Revenue Collection

Information as furnished by the Secretary relating to Estimated Revenue, Actual Revenue and An arrears of Revenue for the year under review is shown below.

Item of Revenue	Arrears as at 31.12.2015						
	Arrears as at 01.01.2015	Recoveries out of Arrears as at 31.12.2015	Billings during the year 2015	Recoveries out of Billings for the year	Out of Arrears as at 01.01.2015	Out of Billings for the year	Total Arrears
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates	3,393,673	1,698,403	6,622,063	5,244,400	1,695,270	1,377,633	3,072,903
Stalls Rent	551,251	284,027	3,024,283	2,744,845	267,224	279,438	546,662
Others	64,203	3,464	1,549,522	3,300,175	60,739	249,345	310,084

i. Rates

Action in terms of Section 170 of the Urban Councils Ordinance had not been taken to seize properties in order recover Rates in arrears.

ii. Stalls Rent

In instances of defaulting payment of stalls rent for more than three months by a lessee, the property should be transferred back in terms of the agreement. However action had not been taken accordingly.

2.3.2 Publicity Advertisement Boards Charges

Charges to be recovered for Advertisement Boards in terms of By-laws of the Council at the rate of Rs.50 per square foot for 2378 square feet amounting to Rs.118,625 had not been recovered.

2.3.3 Rest House Rent

Following matters are observed.

- (i) A sum of Rs.2,629,962 receivable to the Council from the Project, for removal of the Rest House belongs to the Council when constructing the Upper Kotmale Project until the New Rest house is built in term of the agreement had not been received.
- (ii) Although the Rest House belongs to the Council had been given for a monthly rent of Rs.251,000 to an outside party, it had not been possible to provide the liquor license as per agreement. Due to that the rent had to be reduced to Rs.100,000 per month. Accordingly revenue amounting to Rs.1,200,000 had been lost to the Council.

2.3.4 Court Fines and Stamp Fees

Stamp Fees amounting to Rs.1,285,000 and Court Fines amounting to Rs.131,543 were receivable as at 31 December 2015.

3. Operating Review

3.1 Management Inefficiencies

Following matters are observed.

(a) Lease of Bandaranayke Land

The plot of land in extent of 12.34 perches situated in Talawakele, Bandaranayke Square, transferred to the Council through Transfer Order No. L-334 dated 09 November 1955 for construction of a Model Housing Project of small size had been leased out for a sum of Rs.2,639,908 for a period of 03 years to construct a shopping complex with three floors, contrary to the conditions in the transfer order and Section 33 (iii) of the Municipal Councils Ordinance. A transparency procedure had not been followed in selection of the lessee.

(b) Construction of the Middleton Food Marketing Centre

The land where the above building constructed incurring expenditure amounting to Rs.3,044,567 under Palath Neguma Program had not been vested in the Council.

(c) Leasing of Middleton Tourists Rest

While the ownership of the land where this Rest constructed having spent a sum of Rs.1,746,818 using provisions of the Ministry of Economic development had not been confirmed, the case No. L. 1676 had been filed by outside parties in the Nuwaraeliya District Court for the ownership of this land. Although the Council had signed agreements to rent it for a monthly rent of Rs.30,000, under these circumstances the deposit of Rs.290,000 had to be refunded.

(d) Crematorium Maintenance and Services

An agreement had not been entered into with Institution carried out construction works of the crematorium for maintenance and services. Although more than 100 cremations had been carried out in the crematorium as at 15 March 2016, action had not been taken to service it.

3.2 Operational Inefficiencies

While an expenditure amounting to Rs.926,900 had been incurred for the purchase of boats and construction of the jetty during the year 2013 in order to operate a joyful boat service in the Upper Kotmale Reservoir, a sum of Rs.120,000 had been paid annually to the Ceylon Electricity Board according to the agreement entered into with the Ceylon Electricity Board. However, the relevant Project had not been implemented even as at 15 March 2016.

3.3 Solid Waste Management

- (a) Although a period of 08 years have elapsed since the year 2006 after the purchase of Agro Tech Multi Chopper Machine Valued at Rs.131,450 for crushing garbage, it had been kept idle up to 31 December 2015 without being used.
- (b) Operational Works of the Compost Yard constructed incurring expenditure of Rs.6,800,937 utilizing the grants received under Pilisaru Project of the Central Environmental Authority, Provincial Criteria Based Provisions and Council funds during the period from the year 2013 to the year 2015 was at a very weak level.

3.4 Environmental Problems

A Revenue of Rs.1,442,170 had been earned during the year 2015 though transportation of scavenge materials by engaging the Gully Vehicle belongs to the Council. While the service of the Gully Vehicle had been provided to places outside the area of authority to a large extent, more than 200 Gully Fillings had been made. However, the scavenge materials brought in had been dumped into the garbage disposal yard as the Council did not possess a unit for recycling scavenge materials. While the Water Treatment Plant constructed through the Upper Kotmale Electricity Project for cleaning the waste water flowing from the garbage disposal yard had been destroyed due to abandonment, there was a risk of flowing all waste water into the Kotmale water tributary.

4 Good Governances and Accountability

4.1 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 07 per cent to 62 per cent in 06 Items of revenue and variations from 12 per cent to 145 per cent in 07 items of expenditure were observed. Accordingly, the Budget had not been made use of as an effective tool of management.

5. Systems and Controls

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

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