

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 28 February 2017 while Financial Statements relating to the preceding year had been submitted on 29 February 2016. The Auditor General’s Report relating to the year under review was sent to the Secretary of the Council on 25 July 2017.

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 Talawakelle – Lindula Urban Council as at 31 December 2016 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 Accounting Deficiencies

(a) As a sum of Rs.40,550 received by the Council as “E-Nenasala” Course fees during the years 2013 and 2014 had been brought to account under the refundable deposits without being accounted under the revenue in the relevant years, the balance of the Accumulated Fund as at the end of the year under review had been understated and the balance of the Deposit Account had been overstated by that amount in the financial statements.

- (b) As Entertainment Tax amounting to Rs. 28,500 recovered during the year under review had been credited to the Deposit Account without being credited to the revenue, revenue of the year under review had been understated by Rs.28,000 and the balance of the Deposit Account as at the end of the year under review had been overstated by Rs.28,000 in the financial statements.

1.3.2 Accounts Payable

Payment of 06 Payable Accounts balances totalling Rs. 8,231,906 elapsed for a period ranging from 01 year to 09 years as at 31 December of the year under review had not been settled.

1.3.3 Lack of Written Evidence for Audit

Four items of assets totaling Rs. 80,323 could not be satisfactorily vouched in audit due to non-submission of written evidence to audit.

1.3.4 Non-compliance with Laws, Rules and Regulations.

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

Reference to Laws, Rules and Regulations	Non-compliance
-----	-----
(a). Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
i. Financial Regulations 189 and 486	Action in terms of the Financial Regulations had not been taken in respect of 04 dishonoured cheques valued at Rs. 446,178 received by the Council during the period from December 2002 to September 2016.

- | | |
|---|--|
| (b). Pensions Circular No.4/2010 dated 25 May 2010 of the Director General of Pensions and the Chairman of the Provident Fund Management Board. | Contributions amounting to Rs. 97,920 payable as per the provisions of the Circular in respect of the allowances of Rs. 489,600 paid for two Health Labourers deployed in the service on daily paid basis during the year under review had not been paid to the Public Service Provident Fund. |
| (c). Circular No.1988/22 dated 17 May 1988 of the Commissioner of Local Government. | Even though the assessment of properties should be carried out once in 05 years for the assessment tax, such assessment had not been carried out after the year 2011. |
| (d). Circular No. මප/ප.පා.කො/2016/03 dated 17 March 2016 of the Commissioner of Local Government, Central Province. | Although the stall rentals should be assessed at least once in 05 years, assessment of rentals relating 32 stalls of the Council had not been carried out after the year 2007. |

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 2016 amounted to Rs. 9,486,470 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 6,486,183. Accordingly, an improvement of Rs. 3,000,287 was observed in the financial results.

2.2 Analytical financial Review

The variations of other income and expenditure items including increase of revenue in one revenue item, decrease of expenditure in 03 expenditure items, decrease of revenue in 3 revenue items and increase of expenditure in one expenditure item had mainly attributed to the improvement of Rs 3,000,287 in the financial results.

2.3 Revenue Administration

2.3.1 Performance in Revenue Collection

Out of the arrears in house rentals and ground tax amounting to Rs. 252,048 existed at the beginning of the year under review any amount had not been recovered during the year under review and the house rentals and ground tax which had not been recovered by the end of the year under review totalled Rs. 417,658.

2.3.2 Rates

Although the Rates that remained receivable as at 31 December of the year under review amounted to Rs. 3,627,592 , action in terms of Section 170 of the Urban Council Ordinance had not been taken to recover that amount and a sum of Rs. 1,632,028 of the above amount had remained outstanding for more than a period of one year.

2.3.3 Court Fines and Stamp Fees

Court Fines amounting to Rs. 171,826 and Stamp Fees relating to transfer of lands amounting to Rs. 81,500 were receivable from the Chief Secretary and the other authorities of the Provincial Council as at 31 December of the year under review.

3. Operating Review

3.1 Management Inefficiencies

- (a). Although validity period of the lease agreements relating to 21 stalls of the Public Market of the Council had expired, action had not been taken to entered into new agreements.
- (b). The Environmental Protection Licence had not been obtained for the cattle slaughterhouse commenced in June 2015.
- (c). The Council had not settled the balance of Rs. 410,726 brought forward for more than a period of 04 years as unrealised receipts in the bank reconciliation statements prepared for the month of December of the year under review.

3.2 Operational Inefficiencies

Although a boat service project had been commenced by spending Rs.901,900 in the years 2013 and 2014 associated to the Kothmale Oya and the Reservoir, action had not been taken to implement it during the year under review and thereby earn an income.

3.3 Idle/Underutilized Assets

As the Micro branded cab costing Rs. 6,180,000 of the Council was not suitable to use, decision had been taken to auction the cab in the year 2012. Nevertheless, it had been kept idle in the Council premises.

3.4 Contract Administration.

The concrete mixture laid on the alternative road constructed to access to the Solid Waste Management Centre of the Council by paying Rs. 1,689,353 had remained extremely poor condition. Further, overpayment of Rs.42,320 had been made in respect of 3.15 cubic meters of concrete mixture which had not been laid on the road.

3.5 Solid Waste Management

The following matters were observed.

- (a). The wastes of the area of the authority of the Council brought to the Solid Wastes Centre maintained by the Council are covered with soil without segregating such wastes and adequate number of labourers had not been deployed for the operations of the centre.
- (b). Although 100 wastes bins had been purchased at a cost of Rs. 189,727 in September of the year under review for distributing among the people in the council area of for the waste management activities, out of that, 54 bins valued at Rs.102,452 had been kept in the premises of the Council without being issued.

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 09 per cent to 31 per cent in 04 Items of revenue and variations from 09 per cent to 71 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 is needed in the following areas of systems and controls.

Area of Systems and Controls	Observations
-----	-----
(a). Revenue Administration.	Failure to recover the revenue in arrears receivable to the Council.
(b). Debtors and Creditors Control	Failure to take action to recover money that remained recoverable by the Council from various parties and to settle the payments payable to various parties.
(c). Assets Management	Without taking action to dispose of the disposable assets and thereby earn revenue to the Council, those assets had been retained in the Council
(d). Accounting	Revenue required to be credited to the revenue had been credited to the deposit accounts.