

Hputale Urban Council  
Badulla District  
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1. **Financial Statements**  
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1.1 **Presentation of Financial Statements**  
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Financial Statements for the year 2016 had been submitted to Audit on 23 March 2017 while the Financial Statements relating to the preceding year had been submitted on 21 March 2016. The report of the Auditor General relating to the year 2016 was issued to the Secretary of the Sabha on 31 July 2017.

1.2 **Qualified Opinion**  
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In my opinion except for the effect on the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Hputale 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**  
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1.3.1 **Accounting Deficiencies**  
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The following accounting deficiencies are observed in audit.

- (a) The value of Courts Fines receivable as at 31 December of the year under review had been overstated by Rs.59,546 in the financial statements.
- (b) Provision for creditors amounting to Rs.64316 on behalf of electricity bills payable for trade stalls belong to the Urban Council had not been made.
- (c) Provision for creditors amounting to Rs. 96,214 on payable for construction works as at 31 December 2016 had not been made.
- (d) Closing Stationary Stocks of Rs. 53,340 had not been accounted for.
- (e) The receivable revenue on Stamp Fees for the year 2016 had been overstated by Rs.27,174.
- (f) Staff security deposits worth Rs. 60,183 as at 31 December 2016 had not been shown as current liabilities.
- (g) Receivable rates and taxes as at 31 December 2016 had been understated by Rs.34,126.
- (h) The following accounting deficiencies pointed out in previous year audit report had not been rectified.
  - (i) Un-accounted 11 Office Equipment worth Rs. 183,300.
  - (ii) Un-capitalized expenditure amounting to Rs.44,430 which incurred when transporting the JCB loader valued at Rs.17,649,179 to the Urban Council.

### 1.3.2 **Un-reconciled Control Accounts**

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A difference of Rs.82,324 was revealed when comparing the balances of account shown in the financial statements with the corresponding balances shown in the respective schedules.

### 1.3.3 **Accounts Receivable and Payable**

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According to the financial statements presented the value of accounts receivable as at 31 December of the year under review was Rs.11,755,779 while the value of accounts payable had been Rs. 26,460,137.

### 1.3.4 **Lack of Evidence for Audit**

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Six lapsed cheques valued at Rs.33,976 could not be satisfactory vouched in audit.

### 1.3.5 **Non-compliance with Laws, Rules and Regulations**

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Instances of non-compliance with Laws, Rules and Regulations etc. observed in audit are shown below.

Reference to Laws, Rules and Regulations etc. -----	Non-compliance -----
(a) Urban Councils Ordinance -----	
(i) Paragraph 72,73,74 of Chapter 255	Legal action against 13 un-authorized constructions had not been taken
(ii) Paragraph 74(b) and 77 of Chapter 255 and Section 8 a(1) and 28(a) 3 of Urban Development Authority Act No 4 of 1982	Third floor of leisure mount tourist hotel at No:163/3, Magirepura, Haputale and second and third floors of Lillie rest tourist Hotel at LeLe Avenue, Welimada had been constructed without the permission of the Council.
(iii) Section 153 of Chapter 255	Action had not been taken to earn revenue during the year 2015 and 2016 by preparing By-laws in respect of three-wheeler transport services within the authorize area of the Council.
(iv) Section 180 (1) of the Urban Council Ordinance	The Urban Council of Haputale had not been presented the Administrative Reports for years 2013, 2014, 2015 and 2016.
(b) Financial Regulation 571 of the Government of the Democratic Socialist Republic of Sri Lanka	Action had not been taken to dispose 19 lapsed deposit valued at Rs. 98,757 as at 31 December 2016.
(c) Sections 1.6 and 4 of Chapter XXIV	Staff loans aggregating Rs. 63,826 had not been

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| of the Establishments Code of the Democratic Socialist Republic of Sri Lanka.                    | recovered from 22 employees who transferred out from the Council, vacated their posts and deceased.   |
| (d) Gazette No.1944/24 dated 31 December 2015 of the Democratic Socialist Republic of Sri Lanka. | A sum of Rs. 27,300 had been under-recovered on behalf of Advertisement Board displayed by Sha F M Radio.                                       |
| (e) Circular No. 1980/46 dated 31 December 1980 of the Commissioner of Local Government          | The lease rental of the trade stalls had been determined itself by the Council and provided on lease basis without conducting proper valuation. |

## 2. **Financial Review**

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### 2.1 **Financial Results**

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According to the financial statements presented, excess revenue over recurrent expenditure of the Sabha for the year ended 31 December 2016 amounted to Rs. 5,629,876 and the corresponding excess revenue over recurrent expenditure for the preceding year amounted to Rs. 7,052,835.

### 2.2 **Revenue Administration**

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#### 2.2.1 **The performance of Revenue Collection**

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- (a) The progress on recovery of arrears revenue by 31 December 2016 which was outstanding as at 01 January 2016 had been at the range of 18 per cent to 65 per cent and the recoverable amount was Rs. 2,053,753.
- (b) The progress of recovery of the billed revenue as at 31 December 2016 was the range of 27 per cent to 35 per cent and the recoverable amount was Rs.1,821,265.

#### 2.2.2 **Other Income**

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- (a) Rest house rental amounting to Rs. 4,088,907 relating to the period from 1999 to 2007 had not been recovered from the Urban Development Authority and the electricity charges of Rs. 74,824 paid out from the Fund of the Sabha had not been recovered even up to December 2016.
- (b) A rental of Rs. 2,319,495 excluding the meat and fish stalls was in arrears as at 31 December 2016 and actions had not been taken to take over the trade stalls which has long outstanding or recover the outstanding amount after taking legal action.
- (c) An amount of Rs. 1,391,691 to be recoverable to the Sabha as at 31 December 2016 from the persons who obtained meat and fish stalls on lease basis as at 31 December 2016.

- (d) A prompt survey in respect of business activities carried out within the authority area of the Sabha by 31 December 2016 had not been conducted and the trade license revenue of Rs.30,000 had also not been recovered from 30 stales in wholesale market at Colombo Road.

### 2.2.3 **Courts Fines and Stamp Fees**

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Courts fines and stamps fees amounting to Rs. 338,612 and Rs. 623,434 respectively had not been recovered from the Provincial Council as at 31 December 2016.

## 3. **Accountability and Good Governance**

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### 3.1 **Budgetary Control**

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The Budget had not been made use of as an effective control tool in the control of revenue and expenditure of the year under review.

### 3.2 **Annual Procurement Plan**

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An annual procurement plan had not been implemented during the year under review.

### 3.3 **Internal Audit**

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An adequate internal audit had not been carried out for the year 2016.

### 3.4 **Audit and Management Committee**

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Audit and Management Committees had not been implemented during the year under review.

## 4. **Systems and Controls**

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

- (a) Inventory Control
- (b) Fixed Assets
- (c) Accounting
- (d) Revenue Administration