

Hatton - Dickoya Urban Council
Nuwara Eliya District

1. Financial Statements

1.1 Presentation of The Financial Statements

The financial statements of the year 2019 had been presented to the audit on the 28th of February 2020 and the summary report of the Auditor General was sent to the chairman on 21st of May 2020 and the detailed management report sent on 18th of June 2020.

1.2 The Qualified Opinion

I am of opinion that, except the effect on the financial statements of the matters referred under the paragraph of the basis for a qualified opinion in this report, the financial statements had been prepared in accordance with generally accepted accounting principles and give a true and fair view of the state of affairs of the Hatton - Dickoya Urban Council as at 31st of December 2019 and financial results of its operations for the year then ended.

1.3 The basis for a qualified opinion

(A) Accounting deficiencies

Audit observation	Recommendation	Accounting Officer's Commentary
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(i) The receivable industrial debt balance of Gaminipura Children's Park renovation project was over state of Rs. 291,394.	Should be taken actions to keep accounts accurately.	No comments.
(ii) It had been credited as repayable deposit balance of the amount of Rs.22,500 income of the year under review and the amount of the Rs.458,356 accumulated fund.	Should be taken actions to keep accounts accurately.	No comments.
(iii) According to the bank's reconciliation statement prepared as at 31 st of December 2019, Rs. 112,121 had been received directly and Rs. 3,177 of bank chargers had not been accounted.	Should be taken actions to keep accounts accurately.	No comments.
(iv) Discounts received during the year through Journal Notes 33 were	Should be taken actions to keep	No comments.

	credited to the stock ledger account instead of being credited to the revenue for the year.	accounts accurately.	
(v)	It had been debited stock ledger account through journal note 31 instead of debited to accumulated fund of year under review for deducted balance of previous year supply creditors balance of Rs.506,575.	Should be taken actions to keep accounts accurately.	No comments.
(vi)	The suspense account balance of Rs. 2,202,806 incurred during the year under review was credited to the accumulated fund.	Should be taken actions to keep accounts accurately.	No comments.
(vii)	It had been accounted the loan balance in less Rs.9,582,260 According to the confirmations of the Local Debt and Development Fund balance.	Should be taken actions to keep accounts accurately.	No comments.
(B)	<u>Receivable and payable accounts.</u>		
	Audit observation	Recommendation	Accounting Officer's Commentary
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i)	As at 31 st of December of the year under review, a total of Rs. 13,135,912 had not been recovered from the 04 receivable account balances for a period of 07 to 29 years.	Actions should be taken to recover the balances due.	No comments.
(ii)	As at 31 st of December of the year under review, a total of Rs. 173,448 had not been settled for the 02 payable account balances for a period of 03 to 08 years.	Actions should be taken to settle the balances due.	No comments.

1.3.2 Lack of written evidence required for the audit

Audit observation	Recommendation	Accounting Officer's Commentary
Relating to the 04 numbers of accounts the amount of Rs. 4,588,572 could not be vouched satisfactorily during the audit due to non-submission of relevant schedules and balance confirmations	Submitting valuable schedules and balance confirmations.	No comments.

1.4 Non-compliance

Non-compliance with laws, rules, regulations and management decisions

References To rules and regulations and management decisions	Non-compliance	Recommendation	Accounting Officer's Commentary
Financial Regulations 571 Of the Democratic Socialist Republic of Sri Lanka	It had not been acting in accordance with the financial regulations for rs.242,543 regarding 02 years deposits.	Acting in accordance with financial regulations.	No comments.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31st of December 2019 amounted to Rs.40,374,088 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.36,902,395.

2.2 Financial control

Audit observation

Over Rs. 43,000,000 had been deposited in the current account number 20683332 maintained by the Urban Council at the Hatton Branch of the Bank of Ceylon throughout the year 2019. This amount had not been considered for investment.

Recommendation

Action should be taken to invest appropriately in the future.

Accounting Officer's Commentary

The money is reserved for the council to purchase as soon as it receives land for solid waste management.

2.3 Revenue Administration

2.3.1 Estimated Income, Billed Income, Accumulated Income and Deficit Income

Details of Estimated Revenue, Billed Income, Accumulated Revenue and Arrears of Revenue for the year ended 31st of December 2019 and the year ended 31st of December 2018 of the council as follows.

Source of income	2019				2018				Total deficit as of December 31st Rs.
	Estimated income Rs.	billed income Rs.	Income collected Rs.	Total deficit as of December 31st Rs.	Estimated income Rs.	billed income Rs.	Income collected Rs.		
Assessment and Taxes	18,100,000	18,225,184	16,569,609	9,154,702	17,250,000	18,023,950	15,554,625	7,499,127	
Rent	19,945,000	12,161,450	14,225,088	1,877,390	18,540,000	14,277,670	12,034,313	6,721,223	
License fee	4,650,000	784,505	784,505	-	18,880,000	867,816	870,816	-	
Other Income	63,201,500	1,229,230	1,229,230	-	12,955,000	-	5,143,499	-	
total	105,896,500	32,400,369	32,808,432	11,032,092	67,625,000	33,169,436	33,603,253	14,220,350	

2.3.2 Performance of revenue collection

Audit observation

a) Only Rs. 4,054,088 had been recovered during the year from the assessment

Recommendation

Actions should be taken to recover the arrears.

Accounting Officer's Commentary

No comments.

tax arrears of Rs. 7,499,127 at the beginning of the year under review

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| b) The 426 shops owned by the council had not been assessed after 14 years and are currently charging between Rs. 100 - 2800 from these shops. | Actions should be taken to assess and recover every 5 years | The Valuation Department has commenced work to make new assessments for the relevant shops |
| c) The Hatton bus stand, which was leased for Rs. 110,000 per week, was in arrears of Rs. 512,015 as at 31 st of December 2019 for public toilet. | Actions should be taken to recover the arrears. | No comments. |
| d) From Dickoya General Market No. 390 a Mutton shop had not charged Rs. 156,932 as at 31 st of December. | Actions should be taken to recover the arrears. | No comments. |

2.3.3. Court fine and Stamp duty

Audit observation

Recommendation

Accounting Officer's
Commentary

Court fines were Rs. 1,860,977 and stamp duty was Rs. 11,518,340 should be received.

Actions should be taken to recover the arrears.

No comments.

2.3.4. Surcharges.

Audit observation

Recommendation

Accounting Officer's
Commentary

As at 31st of December 2019, I had to recover Rs. 7,924 from the surcharges imposed by myself in previous years against those

Actions should be taken to recover the surcharges.

No comments.

responsible under the provisions of the Municipal Council Ordinance

3 Operational review

3.1 Performance

Followings are the observations on the performance of the functions of the Council under the provisions of Section 4 of the Urban council Ordinance, the regulation and control of public health, public utility services and public roads, the welfare, convenience and welfare of the public.

(A) By-laws

Audit observation

By-laws were to be enacted for three main purposes under section 157 of the Municipal Ordinance, but bylaws had not been enacted relating to any issue until 31st of December 2019.

Recommendation

The bylaws should be enacted to generate the revenue.

Accounting Officer's
Commentary

No comments.

(B). The Abounded tasks.

Audit observation

The Central Provincial Ministry of Road Development, Transport, Power, Energy, Housing and Construction had allocated Rs. 1,964,375 for the construction of a bio-gas unit in Hatton town. The construction was completed in 2015 but it was abandoned due to non-functional status.

Recommendation

Actions must be taken to activate the bio-gas system.

Accounting Officer's
Commentary

As there are no suitable lands for waste management, non-perishable waste has been stored in this land and will take actions to remove the waste and reactivate the bio-gas system in the future.

(C) Sustainable Development Goals

Audit observation	Recommendation	Accounting Officer's Commentary
While the council had not allocated the provisions for Sustainable development objectives and targets in the approved budget for the year 2019 and the specific tasks in this regard had not done in the year under review.	Sustainable development goals and objectives need to be identified and formulated the plans accordingly.	No comments.

3.2 Management Inefficient

Audit observation	Recommendation	Accounting Officer's Commentary
a) It had not been recovered the amount of rs.1,581,710 from the Hatton rest house belonging to the Urban Development Authority for the years of 2018 and 2019.	Actions should be taken to recover the arrears.	The Urban Development Authority has been informed in writing to recover the arrears.
b) The treatment at the Dickoya Ayurvedic Dispensary, which was built and maintained in 2005, was stopped and a Grama Niladhari office was allowed to operate.	Actions must be taken to keep it active.	Dikoya Ayurveda will be actively maintained in the future.

3.3 Human Resource Management

Audit observation	Recommendation	Accounting Officer's Commentary
a) There were 68 vacancies in 17 posts.	Actions should be taken to fill the vacancies.	No comments.

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| b) The post of Librarian has been vacant for about 1 and half year and it was being filled by a Library Assistant III. | Actions should be taken to fill the vacancy. | No comments. |
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3.4 Operation Inefficient

Audit observation -----	Recommendation -----	Accounting Officer's Commentary -----
The approval of the Minister had not been obtained in terms of Section 36 (e) (II) of the Municipal Council Ordinance relating to 84 instances of long term lease of Municipal Council lands.	Actions should be taken to obtain the approval of the Minister.	Assignment orders and other required documents pertaining to some leased lands are not available with the Council and action is being taken to obtain those documents.

3.5 Assets Management

3.5.1 Idle assets and underutilized assets

Audit observation -----	Recommendation -----	Accounting Officer's Commentary -----
(a) Four of the vehicles that had been removed from running within a time ranged from 1 1/2 to 23 years and were parked in the car yard without being repaired or used or disposal.	Repairs should be made to use or dispose of.	Mahindra cab has decided to repair and the other vehicles and equipment will remove in the near future.
(b) The MAS Abusali Hall that is situated in Dickoya town belongs to the council and its equipments, were closed in the whole year without utilizing.	Arrangements should be made to make use of the hall and equipment.	No comments.
(c) According to the records of the Dickoya Library, there were about 3000 books but the books were not issued.	Readers should take steps to begin registration and books should be issued.	No comments.

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| (d) | Due to the suspension of the E-Nena Piyasa Center, the existing equipment was not used and remained idle | Works should be started as soon as possible. | This unit is suspended because there is no trained teacher. A new resource person has already come forward and steps will be taken to open a training center in the future. |
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3.5.2 Annual Goods / Wholesale Survey

Audit observation	Recommendation	Accounting Officer's Commentary
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(a) According to the Goods Survey Report for the year 2017, no action had been taken to destroy a large number of items unfit for use in the warehouse and to auction the auction able items.	Actions should be taken to auction.	No comments
(b) The Goods Survey 2017 revealed a shortfall of 206 units in 38 items and no action had been taken in this regard.	Actions should be taken regarding the shortages.	No comments.
(c) No action had been taken on the shortages of 439 units in respect of 09 different types of equipments / items revealed in the 2018 goods Survey.	Actions should be taken regarding the shortages.	No comments.

2.7.3 Utilization of Vehicles.

Audit observation	Recommendation	Accounting Officer's Commentary
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(a) Daily driving records for the years 2017, 2018 and 2019 pertaining to 14 vehicles owned by the Council had not been submitted for the audit. These vehicles had a fuel cost of Rs. 4,407,443 in 2019 and Rs. 885,614 for repairs.	Arrangements should be made to submit daily running records to the audit	Daily running records are being submitted for audit.

- (b) Six vehicles belonging to the Municipal Council were without hourly meters / milometers and no action had been taken to restore them.
- Actions should be taken to restore the milometers.
- No comments.