

Thalawakele Lindula 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 Thalawakele Lindula 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 -----
(i)	During the year under review, Rs.2,737,173 due to four industries operated by council funds were accounted for by various creditors as well as various debtors.	Should be properly accounted	No comments.
(ii)	During the year under review, purchases of stocks amounting to Rs.8,176,642 in journal Notes No. 23 depreciates the General Storage Account and credits the Income and Expenditure Account, so that the revenue for the year is shown in the financial statements above that value.	Should be properly accounted	No comments.
(iii)	As at 31 st December of the year under review the value of the Rs.742,107 return cheques in respect of two bank accounts belongs to the council The return check account was debited without crediting the cash account.	Should be properly accounted	No comments.

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| (iv) | The value of a photocopier and fax machine on a Ronio machine had not been identified and accounted | Should be properly accounted | No comments. |
| (v) | Rs.80,407 credited directly to the Bank of Ceylon current account and Rs.965 charged by the bank had not been accounted. | Should be properly accounted | No comments. |
| (vi) | At the end of the previous year, the stamp duty for the transfer of lands which was unaccounted under debtors' balance of Rs. 952,500 received in current year it was credited under receivable stamp duty without crediting accumulated fund review under year. | Should be properly accounted | No comments. |
| (vii) | The value of a tractor owned by the council was not accounted for Rs.1,463,200. | Should be properly accounted | No comments. |
| (viii) | Although the industrial debt balance at the end of the year under review was Rs.9,000,169 but it was accounted as Rs.10,204,552 overstating of Rs.1,204,383. | Should be properly accounted | No comments. |
| (ix) | Although the industrial credit balance at the end of the year under review was Rs.10,773,311 but it was accounted as Rs.9,240,520 understating of Rs.1,532,791 | Should be properly accounted | No comments. |

(B) Un-reconciled control accounts

Audit observation	Recommendation	Accounting Officer's Commentary
There was a difference of Rs.2,492,355 between the value of 08 account balances and the utility documents related to those account balances of the financial statement 31 st of December year under review.	Actions must be taken to identify and correct the difference.	No comments.

(C) Receivable and payable accounts.

Audit observation	Recommendation	Accounting Officer's Commentary
As at 31 st of December of the year under review, Rs 1,739,497 had not been recovered due under 04 account subjects which had elapsed from 02 years to 16 years.	Actions should be taken to recover the receivable balances.	No comments.

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| (ii) | As at 31st December of the year under review, 07 account balances amounting to Rs. 847,692 had not been settled for a period of 06 to 08 years. | Actions should be taken to settle the payable balances. | No comments. |
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(D) Lack of written evidence required for the audit

Audit observation	Recommendation	Accounting Officer's Commentary
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Two accounting items valued at Rs.71,222,617 and two journal entries valued at Rs.4,414,837 could not be satisfactorily monitored during the audit due to non-submission of schedules and evidence to proof of value.	Actions should be taken to prepare and submit accurate schedules with value.	No comments.

1.4 Non-compliance

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

References to rules and regulations and management decisions	Non-compliance	Recommendation	Accounting Officer 's Commentary
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(a) Section 16 (2) of the National Audit Act No. 19 of 2018	Annual performance report had not been presented.	Actions should be taken to present the annual performance report.	No comments.
(b) Financial Regulations No. 189 and 486 of the Democratic Socialist Republic of Sri Lanka	The value of return cheques was not charged.	Financial regulations should be followed.	No comments.

2. Financial Review

2.1 Financial Results

According to the financial statements presented for the year then ended 31st of December 2019, excess of revenue over recurrent expenditure of the Council amounted to Rs.3,547,426 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.10,096,333.

2.2 Revenue Administration

2.2.1 Estimated Income, Billed Income, collected Income and arrears Income

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

source of income	2019				2018			
	estimated income	billed income	collected Income	total arrears as at 31 December	estimated income	billed income	collected Income	total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Lease rates and tax	5,671,954	5,447,269	5,302,298	3,540,481	6,612,500	5,480,131	4,375,708	3,395,510
Rent	8,413,423	7,338,353	7,894,782	1,633,653	7,529,289	9,071,720	7,499,718	5,716,044
License fee	1,371,000	782,000	782,000	-	1,331,000	857,000	857,000	-
other	16,198,524	6,685,996	6,731,388	3,159,170	10,631,986	1,675,917	1,626,429	8,919
total	31,654,901	20,253,618	20,710,468	8,333,304	26,104,775	17,084,768	14,358,855	9,120,473

2.2.2 Performance of revenue collection

Audit observation

The arrears of assessment taxes, house rent and bus station restaurant rent that existed at the beginning of the year under review were weak, and the progress of charging hall rent and bus station restaurant rent during the year under review was unsatisfactory

Recommendation

Actions should be taken to charge the arrears revenue.

Accounting Officer's Commentary

No comments.

2.2.3 Court fines and stamp fees

Audit observation

Court fine Rs.2,854,826 and stamp duty for land transfer Rs.167,000 should be charged.

Recommendation

Taking actions to collect the relevant money.

Accounting Officer's Commentary

No comments.

3 Operational review

3.1 Performance

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

(B) Sustainable Development Goals

Audit observation

Recommendation

Accounting Officer's Commentary

While the Pradeshiya Sabha had not adequately aware about Sustainable development objectives and targets and the specific tasks in this regard had not done in the year under review.

Actions should be taken to making plans to achieve sustainable development objectives and targets.

No comments.

3.2 Management Inefficiencies

Audit observation

Recommendation

Accounting Officer's Commentary

(a) The rent of Rs.200,499 due on 31.12.2019 for the official residence No. 86 at Wanigasekara Place owned by the council had not been collected.

Taking actions to recover the relevant arrears.

No comments.

(b) Eleven lessees mentioned in the land lease register maintained by the council had not been charged rent from rented out.

If the lessees are still occupying the land, they should renew the agreement and taking actions to recover the rent.

The details of the tenants could not be ascertained and the agreements were canceled as they had not been renewed.

(c) No survey has been conducted to identify the type of businesses that need to obtain environmental protection permits.

Actions should be taken to recover the license fee due to the council

I have identified the businesses that need to obtain environmental protection licenses and sent letters to them and if they do not obtain licenses, I will take legal action.

3.3 Human Resource Management

Audit observation

Recommendation

Accounting Officer's Commentary

There were 30 vacancies in 11 positions had not been filled.

Taking actions to fill the vacancies.

No comments.

3.4 Operational inefficiencies

Audit observation	Recommendation	Accounting Officer's Commentary
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(a) Although the monthly rent assessed for the stalls should be revised at least once in every five years according to the circular No: PA / 2016/3 dated 17 th of March 2016 of the Commissioner of Local Government of the Central Province, rental had been charged for the 30 stalls in the common market of the Council for the year based on assessed rental in the year 2007.	Follow the instructions in the circular.	No comments.
(b) According to the circular of the Commissioner of Local Government No. 1988/22 dated 17 th of May 1988, the property subject to assessment tax should be re-assessed by the Local Government Institutions at least once in 05 years, but the assessed property in the Council area was not assessed after 2011 and assessed in 2011. Based on which assessment taxes were levied.	Follow the instructions in the circular.	No comments.

3.5 Assets Management

3.5.1. Ideal / Underutilized assets

Audit observation	Recommendation	Accounting Officer's Commentary
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(a) The Middleton Tourist Rest House was constructed on a land belonging to the Talawakele Estate at a cost of Rs. 1,746,818 in the years 2014 and 2015 under the provisions of the Ministry of Local Government and Provincial	The issue of land ownership should be resolved and the council should take actions to earn an income.	No comments.

Councils. Although this building had been leased for the year 2019 the lessee was unable to maintain the land due to a land ownership issue. Therefore the expenditure of Rs. 1,746,818 incurred on the construction had been in vain.

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| (b) | Whether the state Rs.44,358 should be charged form the lessee at the 31 st of December 2019 for leased of Middleton Food Marketing Center in documents, there was no evidence that he had run the business and the building remained vacant | Steps should be taken to make optimal use of the relevant assets. | No comments. |
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3.5.2 Utilization of Vehicles

----- Audit observation -----	Recommendation -----	Accounting Officer's Commentary -----
(a) The Micro Cab, which was purchased in 2010 at a cost of Rs. 6,180,000, has not been used since January 2018.	Steps should be taken to make optimal use of the relevant assets.	No comments.
(b) The Isuzu lorry with a book value of Rs. 980,000 had been idle since February 2018 and remained inactive until 31 st of December 2019.	Repairs should be made to use or disposed of as appropriate.	No comments.

3.6 Procurement

----- Administration of contracts -----

----- Audit observation -----	Recommendation -----	Accounting Officer's Commentary -----
(a) Although an advance of Rs.103,789 had been paid for two constructions worth Rs.599,000 to be carried out using council funds during the year under review, the construction work had not commenced at the date of 20 th of January 2020.	The industry needs to work to get it done or settle the advances.	No comments.

- (b) Contrary to the Procurement Guidelines and Circulars of 2006 an estimate of Rs.4,000,000 for the application of asphalt concrete to Hemachandra Mawatha in Talawakele had been given to two NGOs in two phases at a rate of Rs. 2,000,000 each. Therefore, the expected objectives of involving the NGOs in the procurement activities had not been achieved.
- The purpose of involving the NGOs in the procurement process should be fulfilled.
- No comments.