

Haputhale Urban Council

Badulla District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 08 April 2015 while Financial Statements relating to the preceding year had been submitted on 23 May 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Council on 25 June 2015.

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 Haputale Urban Council as at 31 December 2014 and its financial performance for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

- (a.) Electricity Charges amounting to Rs. 74,824 due from the Urban Development Authority to the Council had not been accounted under Debtors. Due to that, Debtors as at 31 December of the year under review had been understated in the financial statements to that extent.
- (b.) Court Fines and Stamp Fees Revenue relevant to the year under review had not been computed and accounted. Due to that, revenue for the year and Debtors as at end of the year had been understated in the financial statements to the extent.
- (c.) When re-investing the Fixed Deposits Interest Revenue amounting to Rs. 451,625 received during the year under review, through journal entries Nos. 9 and 10 in the accounts, balances had been set off against each other. Due to that, Interest

Income for the year under review and Investments as at the end of the year had been had been understated at the rate of Rs. 451,625 in the financial statements.

- (d.) According to the Fixed Assets Schedules furnished together with the financial statements, assets valued at Rs. 286,550 had not been accounted. Due to that, the balance of the Contribution from Revenue to Capital Outlay Account and the balance of the Fixed Assets Account at the end of the year had been understated in the financial statements to that extent.
- (e.) Value of 10 Mobile Booths amounting to Rs. 265,000 received to the Council from the Ministry of Local Government and the Provincial Councils during the year under review had not been accounted. Due to that, the balance of the Contribution from Revenue to Capital Outlay Account and the balance of the Fixed Assets Account at the end of the year under review had been understated at the rate of Rs. 265,000 in the financial statements.
- (f.) According to information furnished to audit, the value 12 Land and Buildings belong to the Council had not been assessed and accounted.

1.3.2 Non-reconciled Control Accounts

Although the balance of the Deposit Account was Rs.7,340,434 according to the financial statements furnished as 31 December of the year under review, according to the Deposits Register, it had been Rs.7,499,149 and therefore a difference of Rs.158,715 was observed.

1.3.3 Accounts Receivable and Payable

While the value of Accounts Receivable balances as at 31 December of the year under review was Rs.15,697,837, the value of Accounts Payable balances had been Rs.32,399,300.

1.3.4 Lack of Evidence for Audit

Detailed schedules, certificates of confirmation of balances, and relevant dishonored cheques or details were not furnished relating to 02 items of accounts valued at Rs.1,176,386 and therefore it was not possible to satisfactorily vouch those items in audit.

1.3.5 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with following laws, rules and regulations were observed in audit.

<u>Reference to Laws, Rules, Regulations etc.</u>	<u>Non-compliance</u>
(a.) Urban councils Ordinance (Chapter 255) Section 164	- Although a sum not exceeding 1 per cent of the receipts of the preceding year of the Lodging Houses approved by the Tourism Promotion Board should be recovered as License Fees for the relevant year, such fees had not been recovered from 02 Lodging Houses in operation in the area of authority of the Council.
(b.) Financial Regulations of the Republic of Sri Lanka ----- Financial Regulation 371	- Advances amounting to Rs.295,181 paid to various parties in 14 instances during the period from the year 1997 to 2014 had not been settled.
(c.) Section 1:6 and 4 of Chapter xxiv of the Establishments Code of the Republic of Sri Lanka	- Staff Loans amounting to Rs. 43,576 remained unrecovered over a period from 03 to 18 years due from 25 individuals who were in service of the Council and left on transfers, vacated post, and deceased had not been recovered.

- (d.) Circular No.1980/46 dated 31 December 1980 of the Commissioner of Local Government
- i. Monthly rent of stalls belong to the Council had not been assessed in terms of the circular provisions and a low lease rent decided by the Council not falling in line with the market value was being recovered.
 - ii. In the event of voluntary cancellation of the lease by a lessee of a stall, stall should be transferred back to the Council and action should be taken to lease out it after calling for tenders again. However, in 09 instances lease right had been granted after recovering only a fee for changing the name without calling for tenders again.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over expenditure of the Sabah for the year ended 31 December 2014 had been Rs. 2,954,082 as compared with the corresponding excess of revenue over expenditure amounted to Rs. 9,913,513. Accordingly un favorable variation of Rs. 6,959,433 was observed.

2.2 Revenue Administration

2.2.1 Lease Rent

Lease Rent amounting to Rs.3,960,170 due as at 31 December 2014 from 188 stalls belong to the Council, had not been recovered.

2.2.2 Rest House Management

Rest House Rent due amounting to Rs. 3,974,194 relevant to the period from the year 1999 to 2007 managed by the Urban Development Authority and electricity charges amounting to Rs. 74,824 settled by the Council due to default in payment by the Rest house Manager, had not been recovered back to the Council.

2.2.3 Court Fines and Stamp Fees

Court fines and stamp fees recoverable as at 31 December 2014 from the Chief Secretary of the Provincial Council and other authorities are shown below.

	Rs.
Court Fines	217,083
Stamp Fees	707,569

3. Operating Review

While equipment valued at Rs.70,544 had been purchased for the 02 official residences in the Multi-Purpose Building, those official residences had been kept closed although nearly a period of two years had elapsed after construction.

4. Systems and Controls

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

- (a.) Accounting
- (b.) Revenue Administration