

**Nuwara Eliya Pradeshiya Sabha**

**Nuwara Eliya District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

Financial Statements for the year under review had been presented to the Audit on 11 April 2017 while Financial Statements relating to the preceding year had been presented on 20 February 2017. The Auditor General's Report of the year under review was issued to the Secretary on 26 September 2017.

**1.2 Qualified Opinion**

In my opinion except for the effect on the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Nuwara Eliya Pradeshiya Sabha as at 31 December 2016, and its financial performance for the year then ended in accordance with the generally accepted Accounting Standards.

**1.3 Comments on Financial Statements**

**1.3.1 Non-reconciled Control Accounts**

In comparing the values of 04 account balances shown in the financial statements prepared as at 31 December of the year under review, with the schedules relating thereto, a difference of Rs. 64,203,103 was observed.

**1.3.2 Suspense Account**

The debit balance of the Suspense Account amounted to Rs. 67,129,574 as at 31 December of the year under review, and the said balance remained unsettled since the year 2014.

**1.3.3 Accounts Receivable**

Service charges amounting to Rs. 487,574 that remained receivable for a period of 4 years as at 31 December of the year under review, had not been recovered.

#### 1.3.4 Lack of Documentary Evidence for Audit

As schedules had not been made available, 02 Items of Accounts valued at Rs. 18,109,956 shown in the financial statements as at 31 December of the year under review, could not be satisfactorily vouched in audit.

#### 1.3.5 Non-compliances with Laws, Rules, and Regulations

The following instances of non-compliances with Laws, Rules, and Regulations, etc. were observed in audit.

<u>Reference to Laws, Rules, and Regulations, etc.</u>	<u>Non-compliance</u>
(a.) Sections 158 (1) (a) and (b), 159 (1) and (2) of the Pradeshiya Sabha Act, No. 15 of 1987.	Action had not been taken in respect of revenue in arrears amounting to Rs. 8,605,598 recoverable as at 31 December of the year under review.
(b.) Financial Regulation 371 (2) of the Democratic Socialist Republic of Sri Lanka.	A sub imprest should be settled soon after the completion of the purpose for which it was given. Nevertheless, the sub imprests totalling Rs. 18,586,147 given to the officers of the Sabha and external parties on various purposes in 34 instances during the period 2009-2016 had remained unsettled even up to 28 July 2017.
(c.) Section 4.3.3 of Chapter XIX of the Establishments Code of the Democratic Socialist Republic of Sri Lanka.	A waiting list had not been maintained with respect to the allocation of quarters of the Sabha to the officers / employees.
(d.) Circular, No. 1988/22, dated 17 May 1988 of the Commissioner of Local Government.	Properties should be assessed at least once per 05 years in view of rates. However, such an assessment on properties had not been carried out by the Sabha after the year 2009.

## **2. Financial Review**

### **2.1 Financial Result**

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 38,575,088 for the year ended 31 December of the year under review as compared with the revenue in excess of the recurrent expenditure amounting to Rs. 53,862,805 for the preceding year, thus showing a deterioration of Rs. 15,287,717 in the financial result as compared with the preceding year.

### **2.2 Analytical Financial Review**

The decrease in the income of an Item of Revenue, and the increase in the expenditure of 05 Items of Expenditure had mainly attributed to the deterioration of the financial result by a sum of Rs. 15,287,717.

### **2.3 Management of Working Capital**

The current ratio stood at 2:1 as at 31 December of the year under review.

## **3. Operating Review**

### **3.1 Management Inefficiencies**

The following matters were observed in respect of the Nena Piyasa Unit of the Sabha.

- a) The Pradeshiya Sabha had received goods including 03 computers from the Central Provincial Council on 13 June 2014 for maintaining the Nena Piyasa Unit. However, one of those computers had been placed at the library even as at 16 August 2017 without being used, whilst the rest of the items had been made use of by the office of the Pradeshiya Sabha, and the library.
- b) A sum of Rs. 594,519 had been spent on the renovations of a building for use of the Nena Piyasa Unit, but the building had remained closed without being made use of.

### **3.2 Idle and Underutilized Assets**

Three motorcycles and a tractor that remained disused over a period of 01 – 09 years had been parked at the premises of the Sabha without taking action either to make use of after being repaired, or dispose.

### 3.3 Solid Waste Management

The following matters were observed on the solid waste management of the Sabha.

- a) The unsegregated waste being brought daily from the Kandapola town and the suburbs, had improperly been disposed of at an open land near the Nuwara Eliya - Ragala main road.
- b) It was observed that waste in the Nanuoya area had been collected without being segregated.

## 4. Accountability and Good Governance

### 4.1 Presentation of Financial Statements

The financial statements of the year under review had been presented to audit on 11 April 2017, and the financial statements of the preceding year had been presented to audit on 20 February 2017.

### 4.2 Budgetary Control

A comparison of estimated revenue and expenditure in accordance with the budget prepared for the year under review, revealed variances ranging from 26 per cent to 387 per cent in respect of 06 Items of Revenue, whilst variances ranging from 17 per cent to 99 per cent were observed in respect of 06 Items of Expenditure. As such, the budget had not been made use of as an effective instrument of control.

## 5. Systems and Controls

Special attention is needed in respect of the following areas of Systems and Controls.

<u>Area of Systems and Controls</u>	<u>Observation</u>
a) Revenue Administration	Failure to recover the revenue in arrears receivable to the Sabha.
b) Control of Debtor / Creditors	Failure to settle the funds receivable to the Sabha, and failure to settle the funds payable by the Sabha.
c) Control of Assets	Failure to properly maintain the assets belonging to the Sabha.
d) Accounting	Various deficiencies in accounting the assets and liabilities relating to the year of accounts.