

## **NuwaraEliya Pradeshiya Sabha**

### **NuwaraEliya District**

#### **1. Financial Statements**

##### **1.1 Presentation of Financial Statements**

Financial Statements for the year 2017 had been presented to the Audit on 29 March 2018 and the Auditor General's Report on those financial statements was issued to the Chairman on 28

##### **1.2 Qualified 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 Nuwara Eliya Pradeshiya Sabha as at 31 December 2017, and its financial performance for the year then ended in accordance with the Generally Accepted Accounting Principles.

##### **1.3 Comments on Financial Statements**

###### **1.3.1 Accounting Deficiencies**

The following observations are made.

- (a). Even though financial provision of Rs.3,000,000 had been made for the project of the construction of Nanuoya Waste Management Centre in the year 2017, it had not been carried out, whereas provisions for creditors had been made. As such, creditors and the expenditure of the year had been overstated by that amount.
- (b). Without being correctly identified the Stamp Fees revenue applicable to the year under review, a sum of Rs.4,368,620 relevant to the period from January to July had been brought to account as the stamp fees revenue of the year. A sum of Rs.17,966,142 had been received relating to the year under review and the preceding year and out of which a sum of Rs.10,115,842 had been credited to the Stamp Fees Revenue Debtors and the balance of Rs.7,850,300 had been credited to the Court Fines Debtors Account. As a result, Stamp Fees Debtors had been overstated by Rs.7,850,300 and Court Fines Debtors had been understated by that amount in the financial statements as at 31 December of the year under review.

- (c). As industries valued at Rs.1,266,177 implemented using the funds of the Sabha during the year under review had been accounted under the industrial debtors, the industrial debtors and the revenue as at the end of the year had been overstated by that amount in the financial statements.
- (d). Value of the 21 plots of lands land of 12 Acres 3 Roods and 38.83 perches belonging to the Sabha, 20 plots of lands of which the extent had not been determined, 06 trade stalls situated at Nanuoya, 01 Waste Collecting Machine and 191 units of 14 office equipment items had not been identified and brought to account.
- (e). Even though the capital aid revenue of the year under review amounted to Rs.34,144,610, it had been overstated by Rs.1,275,929 and shown as Rs.35,420,539 in the financial statements.
- (f). Although the capital expenditure relevant to the year under review amounted to Rs.35,410,788, it had been overstated by Rs.389,899 and stated as Rs.35,800,687 in the financial statements

### **1.3.2 Non-reconciled Accounts**

In comparing the values of 03 account balances shown in the financial statements prepared as at 31 December of the year under review, with the subsidiary documents relating thereto, a difference of Rs.745,470 was observed.

### **1.3.3 Suspense Account**

The debit balance existed in the Suspense Account as at 31 December of the year under review amounted to Rs.67,129,574, and the said balance had been brought forward in accounts since year 2014 without being taken action to recognize it.

### **1.3.4 Accounts Payable**

The value of 02 payable account balances older than 03 years as at 31 December of the year under review amounted to Rs.811,733.

### **1.3.5 Lack of Documentary Evidence for Audit**

As necessary information had not been made available, 04 Items of Assets valued at Rs. 44,122,476 , 02 Items of Liabilities valued at Rs.29,358,964 and 12 journal entries valued at Rs.10,706,281 could not be satisfactorily vouched in audit.

### **1.3.6 Non-compliances**

#### **Non-compliances with Laws, Rules, Regulations and Management Decisions**

Advances amounting to Rs.32,000 given in 02 instances during the period from 2014 to 2015 in terms of Financial Regulation 371 (2) of the Democratic Socialist Republic of Sri Lanka had not been settled even by the end of the year under review.

## **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. 15,473,986 for the year ended 31 December 2017 as compared with the revenue in excess of the recurrent expenditure amounting to Rs. 38,575,088 for the preceding year.

### **2.2 Financial Control**

There was a cash balance exceeding Rs.13,000,000 in a current account maintained by the Sabha in a Bank branch at the end of every month except for the months of June and July,2017 and cash balances exceeding Rs.3,000,000 remained at the end of each month of June and July, 2017. Attention had not been drawn on using this excess money in a productive investment.

### **2.3 Revenue Administration**

#### **2.3.1 Estimated Revenue, Billed Revenue, Collected Revenue, and Revenue in Arrears**

Information on the estimated revenue, billed revenue, collected revenue, and revenue in arrears, presented relating to the year under review and the preceding year, is given below.

Source of Revenue	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Tax	5,175,187	4,409,317	3,990,562	6,390,342	5,865,203	4,349,870	4,495,731	6,072,433
Rents	7,219,305	9,147,983	9,199,590	717,899	23,957,372	7,312,409	6,850,021	2,533,165
Licence Fees	3,565,000	6,730,068	6,730,068	-	6,250,000	6,355,042	6,526,762	-
Other Revenue	15,129,860	16,259,252	29,920,138	11,767,528	12,270,380	39,951,449	43,822,947	29,770,938

### 2.3.2 Performance in Revenue Collecting

The percentage of the recovery of outstanding Rates, acreage tax, land tax and trade stall rents remained at less than 35 per cent and the recovery of billed Rates, water charges and trade stall rents as well remained at less than 52 per cent.

### 2.3.3 Rents

The trade stall rents in arrears that remained receivable as at 31 December of the year under review amounted to Rs.693,012 and that trade stall rents included the rents of Rs.95,920 received after a delay for a period ranging from 06 months to 20 months from 14 lessees who had obtained the above trade stalls on rent.

### 2.3.4 Water Charges

The water charges in arrears that remained receivable as at 31 December of the year under review amounted to Rs.1,361,484 and that arrears of water charges included the water charges of Rs.68,644 that remained in arrears since the period before the year 2011 from 30 water customers of the Kandapola Sub-office area.

### 2.3.5 Court Fines and Stamp Fees

The court fines and stamp fees receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2017 amounted to Rs.1,775,638 and Rs.9,991,890 respectively.

### **3. Operating Review**

#### **3.1 Performance**

Matters revealed in the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people in terms of Section 3 of the Pradeshiya Sabha Act, are as follows.

##### (a) Non-completion of Project

The drinking water project at Park Estate Exdale Division should have been completed on 15 January 2018 and equipment worth Rs.526,432 had been purchased on 29 December 2017 for that purpose. Nevertheless, works of this project had not been completed even by 31 July 2018.

##### (b) Delays in the Discharge of Functions

The project for the construction of Nanuoya Waste Segregating Centre for which provision amounting to Rs.3,000,000 had been made in August 2016 under the “Provincial Specific Development Grants- 2016” should have been completed within 03 months and submitted for the reimbursement of bills. Nevertheless, any activity relating to project had not been initiated even by 18 July 2018.

##### (c) Sustainable Development Goals

The Pradeshiya Sabha was not adequately conversant with the sustainable development goals and targets and no sufficient activities had been carried out thereon.

#### **3.2 Management Inefficiencies**

The following observations are made.

(a) Advances amounting to Rs.793,027 granted for various purposes in 14 instances during the period from 2009 to 2016 had not been settled even by the end of the year under review.

(b) According to the bank reconciliation statement prepared for December 2017 relating to a current account maintained by the Sabha, 04 cheques valued at Rs.142,040 received from February 2013 to December 2014 had become dishonoured, whereas value of those cheques had not been recovered even by the end of 2017.

- (c) Even though the validity period of the Environmental Protection Licence obtained by 18 business in terms of Gazette (Extraordinary) No.1523/16 dated 25 January 2008 issued in accordance with the National Environmental Act, No.47 of 1980 as amended by the Acts No.56 of 1988 and 53 of 2000 and the regulations made thereunder, had expired, new licences had not been issued.

### **3.3 Human Resources Management**

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Staff Vacancies and Excesses

Forty five vacancies existed as at 31 December of the year under review relating to 12 posts of the Sabha had not been filled.

### **3.4 Operating Inefficiencies**

The following observations are made.

- (b) In terms of the Circular No.1988/22 dated 17 May 1988 of the Commissioner of Local Government, the assessment of properties situated in the areas in which the Rates are recovered should be carried out at least once in 05 years. Nevertheless, the Sabha had not carried out assessment of properties after the year 2009.
- (c) In terms of the Circular No.මප/ප.ප.කො/2016/03 dated 17 March 2016 of the Commissioner of Local Government of Central Province, the monthly rents for the trade stall should be determined according to the assessment of a Chief Assessor or an Assessor of a Local Authority, if any . Nevertheless, rents for 73 trade stalls of the Sabha had been recovered upon the assessment done by the Revenue Examiner of the Sabha in the year 2014.

### **3.5 Assets Management**

#### **3.5.1 Failure to collect revenue recoverable from assets**

Although the Government quarters reserved for the post of Secretary of the Sabha had remained unused from 01 October 2016, that quarters remained idle without being taken action to grant it to another suitable officer. As such, the Sabha had been deprived of the possible house rent.

### **3.5.2 Assets not undertaken**

The ownership of a Bajaj motorcycle and a Kubota Tractor used for the activities of the Sabha had not been taken over by the Sabha.

### **3.5.3 Idle and Underutilized Assets**

The following observations are made.

- (a) A Double Cab and 03 motorcycles of the Sabha had remained idle since a period of 03 years and 02 tractors had been parked at a private garage for over a period of 02 years without being repaired.
- (b) The water bower with 5000 liters in capacity owned by the Sabha had remained idle since a period of 02 years and the water bower with 3500 liters in capacity had remained idle for nearly a period of one year without being used.

### **3.5.4 Annual Board of Survey**

Value of the shortage of 642 books and 15 units of 8 equipment relating to 05 libraries recognized at the Board of Survey conducted as at 31 December 2017 had not been computed and the parties responsible for that purpose had not been identified or any other step had not been taken with respect to the shortage.

### **3.5.5 Vehicle Utilization**

The fuel consumption test of 06 motor vehicles belonging to the Sabha had not been carried out as required by the Public Administration Circular No.30/2016 dated 29 December 2016.

### **3.5.6 Contract Administration**

#### **Construction of Head Office Building of the Nuwara-Eliya Pradeshiya Sabha**

- (a) For the construction of Head Office building of the Nuwara-Eliya Pradeshiya Sabha, an agreement worth Rs.81,476,575 had been entered into with a contractor on 15 May 2015. According to the above agreement, work should have been completed by 15 November 2015. Nevertheless, works had not been completed even by 31 July 2018 and relevant constructions had been discontinued.

(b) Construction of Kotagala Aurvedic Medical Officer's Quarters

Without preparing bills, payments of Rs.1,180,000 had been made for the construction of Kotagala Aurvedic Medical Officer's Quarters. Similarly, various deficiencies were observed relating to the constructions and that quarters remained idle even by 31 July 2018 without being given it to any person for residential purposes.

**4. Accountability and Good Governance****Budgetary Control**

In accordance with the budget prepared for the year under review, variances ranging from 14 per cent to 88 per cent in 06 Items of Revenue and variances ranging from 13 per cent to 99 per cent in 08 Items of Expenditure were observed between the estimated revenue and expenditure and the actual revenue and expenditure. As such, the budget had not been made use of as an effective instrument of control.

**5. Systems and Controls**

Deficiencies observed at audit test check were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of Systems and Controls.

<u>Systems</u>	<u>Deficiencies</u>
a) Accounting	Failure to maintain account books and registers in an updated manner.
b) Control of Assets/ properties	<ul style="list-style-type: none"> <li>i Failure to take over the ownership</li> <li>ii Remaining idle</li> <li>iii Failure to compute the value</li> <li>iv Failure to assure the safety</li> </ul>
c) Control of Debtor / Creditors	<ul style="list-style-type: none"> <li>i Failure to prepare schedules</li> <li>ii Failure to settle creditors balances</li> </ul>
d) Staff Administration	Failure to fill the available vacancies