

Kotagala Pradeshiya Sabha
Nuwara Eliya District

1. Financial Statements

1.1 Presentation of The Financial Statements

The financial statements of the period of 01 April 2018 to 31 December 2018 had been presented to the audit on the 19 of May 2019 and the summary report of the Auditor General and the descriptive management report regarding the financial statements had been presented to the Chairman on 29 th May 2019.

1.2 The Qualified Opinion

I am in an 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 Kotagala Pradeshiya Sabhaas at 31 December 2018 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) The capital expenditures and the industrial creditors' balance regarding the 03 construction projects had been understated by an amount of Rs.1, 812,473.	It should be accounted accurately.	It will be corrected by a journal entry in the final account in 2019.
(ii) Although the debtor balance of the Mount Vernon Estate Residential Soil Disposal Project was amounted to Rs.99,360, it had been accounted as Rs.199,773.	It should be accounted accurately.	It will be corrected by a journal entry in the final account in 2019.

1.4 Non-compliance

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

References	Non-compliance	Recommendation	Commentary of the accounting officer
To rules and regulations and management decisions			
(a) 1988 Pradeshiya Sabha (Financial and Administrative Rules) 218	A survey of the lands and buildings was not carried out	Actions should be taken to conduct the survey.	That the survey will be conducted in the future.
(b) Circular no.1988/ 22 of Local Government Commissioner dated 17 May 1988	The valuation of property for assessment tax had not been done after 2008.	Property valuation should be done for tax rates.	That the actions will be taken for valuation in the future.

1.4.2 Non-compliance with tax requirements

Audit observation	Recommendation	Commentary of the accounting officer
(a) According to the Stamp Duty Tax Act No. 12 of 2006, the stamp duty amount of Rs.10,045 that had collected during the year under review had not been remitted to the Commissioner General of Inland Revenue.	Actions should be taken according to the relevant tax Act.	As a new Pradeshiya Sabha, it had been requested to register stamp duty and Nation Building Tax.
(b) According to the Nation Building Tax Act No. 09 of 2009, the Nation building Tax amount of Rs.24,699 that charged by the Sabha had not been remitted to the Commissioner General of Inland Revenue.	Actions should be taken according to the relevant tax Act.	As a new Pradeshiya Sabha, it had been requested to register stamp duty and Nation Building Tax.

2. Financial Review

2.1 Financial Results

According to the presented financial statements, excess of expenditure over recurrent income for the 09 months of the year ending 31 December 2018 amounted to Rs.566, 329.

2.2 Revenue Administration

Estimated Income, Billed Income, collected Income and arrears Income

Details of Estimated Revenue, Billed Income, collected Revenue and Arrears of Revenue for the nine months ended 31 December 2018 of the sabha which were established on 01 April 2018 are as follows.

source of income	2018			
	Estimated income	billed income	collected income	total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.
Lease rates and tax	2,911,946	1,229,892	691,013	2,172,510
Rent	410,000	1,131,225	973,149	538,664
License fee	2,228,000	650,800	656,800	-
Other income	889,961	-	181,073	-
Total	6,439,907	3,011,917	2,502,035	2,711,174

2.2.1 Performance of revenue collection

Rentals

Audit observation	Recommendation	Accounting Officer's Commentary
(i) Shop Rent An arrears shop rent amount of Rs.186,194 that to be recovered from 15 shops owners over one year had not been recovered until 15 March 2019	Action should be taken to recover arrears.	A sum of Rs.302,762 had been charged so far. And two shops had sealed.
(ii) House Rent The rent amount of Rs. 13,251 that had to be received from five persons had not been recovered over one year.	Action should be taken to recover arrears.	The new Revenue Inspector is identifying the areas.

2. 2. 3 Court fines and stamp fees

Audit observation	Recommendation	Accounting Officer's Commentary
A receivable amount of Rs. 649,124 court fines and an amount of Rs. 683,900 stamp duty as at 31 December of the year under review had not been collected.	Taking action to collect the relevant money to the Sabha.	While the court fine schedule had not received and an amount of Rs.382, 500 from stamp fees have been received.

3 Operational review

3.1 Performance

Following are the observations on the perform the functions of Public Health, the regulation of matters of public utility services and the management of public roads, people in comfort, convenience and welfare of the Council to regulate and administer public health, public utility services and public roads under section 3 of the pradeshiya sabha act.

(A) By-laws

Audit observation	Recommendation	Accounting Officer's Commentary
Although By-laws could be enacted for the purpose of fulfil the main matters under section 126 of the pradeshiya sabha act, by-laws had not been enacted for any matter until 31 December 2018	Actions should be taken to enacted the By-Laws.	Actions have been taken to embrace the bylaws in the year 2019.

(B) Action Plan

Audit observation	Recommendation	Accounting Officer's Commentary
The sabha did not prepare an action plan for the period under review.	An action plan will be prepared for the next year.	That it had prepared in 2019.

(C) The desertion Works

Audit observation

While the council had agreed to construct a new building at a cost of Rs. 83,373,432 on 11 May 2015 and it had paid an amount of Rs. 21,559,211 on 31 December 2016. But the work had been stopped for more than 02 years hence administrative and technical issues.

Recommendation

Actions should be taken to implement the projects by solving the issues.

Accounting Officer's
Commentary

The officers of the Central Provincial Engineering Services Department had come and inspected the matter.

(D) Environmental issues Hack

Solid waste management

Audit observation

While the garbage of Nuwara Eliya and Agarapathana Pradeshiya Sabhas that couldn't separate, had been dumped to compost yard of the Sabha and the collected polythene was burnt at the time of inspection.

Recommendation

It should be carried out a programme to proper waste management.

Accounting Officer's
Commentary

While the waste are collecting by sorting currently and the actions had took to give the plastic and polythene to the Nuwara Eliya municipal council.

(E) Sustainable Development Goals

Audit observation

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.

Recommendation

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

Accounting Officer's
Commentary

Actions will be taken in next year.

3.2 Human Resource Management

(A) Vacancies of employee

Audit observation

There were 51 vacancies in 14 positions of the approved carder as at 31 December 2018.

Recommendation

Actions should be taken to fulfil the vacancies as soon as possible.

Accounting Officer's
Commentary

Action is being taken to fill the vacancies.

(B) Employee guarantee

Audit observation

Guarantor deposit had not been obtained from the employees who responsible as per the Financial Regulation 880 and the circular no.cpc/cs/06/06/02 dated on 11April 2003 of Chief Secretary of central province

Recommendation

Actions should be taken to obtain deposits from relevant officers as per the Financial Regulations and the circular.

Accounting Officer's
Commentary

That they will deal with this in the future.

3.3 Operational Inefficiencies

Audit observation

Water Supply

Although the public protests and complaints had got because the water supply of the 3 water service providers of the Sabha was at a very poor condition in the dry periods, the bills had issued for the whole year. And there were an arrears amount of Rs.550, 716 as at 31 December 2018 hence the costumers had refusal to pay water charges.

Recommendation

Actions should be taken to provide proper water services throughout the year.

Accounting Officer's
Commentary

It had been discussed with the institution of world Vision and with the water board in this regard.

4 Accountability and good governance

4.1 Budgetary Control

Audit observation

Recommendation

Accounting Officer's
Commentary

Although it should be prepared and presented a statement of matter describing for the variances among actual revenue and expenditures and estimated finance allocations according to the rule 193 of pradeshiya Sabha finance and administration rules of 1988,that statement had not been presented.

Present a statement of matter describing about the variances according to relevant rules.

It had corrected by the transfer papers of the meeting at December 2018.

4.2 Internal Audit

Audit observation

Recommendation

Accounting Officer's
Commentary

Adequate internal audit was not carried out during the year under review.

Adequate internal audit should be carried to.

That it could not be carried out a internal audit because vacancies of the officers and actions will take to appointed an officer in this matter in future.