

**Kotagala Pradeshiya Sabha**  
**Nuwara Eliya District**  
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1. Financial Statements  
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1.1 Presentation of The Financial Statements  
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The financial statements of the year 2019 had been presented to the audit on the 28<sup>th</sup> of February 2020 and the summary report of the Auditor General was sent to the chairman on 21<sup>st</sup> of May 2020 and the detailed management report sent on 18<sup>th</sup> of June 2020.

1.2 The Qualified Opinion  
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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<sup>st</sup> of December 2019 and financial results of its operations for the year then ended.

1.3 The basis for a qualified opinion  
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Accounting deficiencies  
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Audit observation -----	Recommendation -----	Accounting Officer's Commentary -----
(i) Rs. 2,451,249 received from the Ministry of Local Government and Provincial Councils on 28 <sup>th</sup> of December 2018 has not been received by 31 <sup>st</sup> of December 2019 but due to the preparation of relevant documents and keeping accounts for the replenishment of provisions, the stock account and storage credit holders have increased by Rs. 2,451,249 each.	Actions should be taken to keep accounts accurate.	There is a problem in purchasing goods provided by the Ministry due to the increase in prices and the relevant items are to be purchased this year on the recommendations of the Finance Committee of the sabha.
(ii) Provisions were not made in the accounts for the audit fees of the year under review.	Actions should be taken to keep accounts accurate.	Steps have been taken to rectify this by 2020.
(iii) 1,781,620 arrears of stamp duty for the year under review had not been accounted.	Actions should be taken to keep accounts accurate.	Steps have been taken to rectify this by 2020.

- (iv) Although the previous income for the next year was Rs.483,563, it was stated in the balance sheet as Rs.132,244. Actions should be taken to keep accounts accurate. Steps have been taken to rectify this by 2020.

1.4 Non-compliance

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Non-compliance with laws, rules, regulations and management decisions  
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References to rules and regulations and management decisions	Non-compliance	Recommendation	Commentary of the accounting officer
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(a) Section 16 (2) of the National Audit Act No. 19 of 2018	Annual performance report had not been presented.	The report should be prepared and submitted.	The relevant report is being prepared.
(b) 1988 Prdeshiya sabha (Finance and Administrative) rule 218	Lands and buildings had not been surveyed.	Relevant surveys should be conducted	The council has been asked to assess the property.
(c) Circular no.1988/ 22 of Local Government Commissioner dated 17 <sup>th</sup> of May 1988	The valuation of property for assessment tax had not been done after 2008.	The circular should be followed.	Work is underway to expedite this payment.
(d) Financial regulations No 371(2)(A)	Advances amounting to Rs. 38,487 paid to various parties on four occasions had not been settled.	Arrangements to settle the advance To be done.	No comments.

1.5 Non-compliance with tax requirements

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Audit observation  
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Recommendation  
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Commentary of the accounting officer  
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| (a) According to the Stamp Duty Tax Act No. 12 of 2006, the stamp duty amount of Rs.25, 115 that had collected during the year under review had not been remitted to the Commissioner General of Inland Revenue. | The stamp duty act should be followed. | Could not send due to non-receipt of registration number with the Inland Revenue Department. |
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- (b) According to the Nation Building Tax Act No. 09 of 2009, the Nation building Tax amount of Rs.56,709 that charged by the Sabha had not been remitted to the Commissioner General of Inland Revenue. Nation building tax act should be followed. Could not send due to non-receipt of registration number with the Inland Revenue Department.

2. Financial Review

2.1 Financial Results

According to the presented financial statements, excess of income over recurrent expenditure for the year ending 31<sup>st</sup> of December 2019 amounted to Rs.3,779,040 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 566,329.

2.2 Revenue Administration

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

Details of Estimated Revenue, Billed Income, Accumulated Income and Arrears of Revenue for the year under review are as follows.

Source of income	2019				2018			
	Estimated income	billed income	Income collected	Total arrears as of December 31st	Estimated income	billed income	Income collected	Total arrears as of December 31st
	Rs .	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assessment and Taxes	1,760,000	2,248,777	2,512,926	2,459,076	2,911,946	1,229,892	691,013	2,172,510
Rent	2,028,800	1,781,496	1,907,639	412,521	410,000	1,131,225	973,149	538,664
License fee	1,820,600	1,461,710	1,461,710	-	2,228,000	650,800	656,800	-
Other Income	1,070,000	5,966,100	6,288,875	1,446,874	889,961	-	181,073	-
<b>total</b>	<b>6,679,400</b>	<b>11,458,083</b>	<b>12,171,150</b>	<b>4,318,471</b>	<b>6,439,907</b>	<b>3,011,917</b>	<b>2,502,035</b>	<b>2,711,174</b>

2.2.2 Performance of revenue collection

----- Audit observation -----	----- Recommendation -----	----- Accounting Officer's Commentary -----
(a) The shops had not been assessed as per the Circular No. MPC / PPCO / 2016/03 dated 17th of March 2016 of the Commissioner of Local Government of the Central Province and the rent was charged on the assessment of a Revenue Inspector of the Nuwara Eliya Pradeshiya Sabha in 2014 without being revised even once in five years.	The relevant assessment should be done and acted upon accordingly.	As there are no plans to assess these stalls, I will prepare plans and submit them to the Valuation Department for assessment.
(b) The council was charging a monthly rent of Rs.400 to Rs.750 for 60 shops and the total monthly bill was only Rs.41,500.	The relevant assessment should be done and acted upon accordingly.	As there are no plans to assess these stalls, I will prepare plans and submit them to the Valuation Department for assessment.
(ii) The tenants of 09 plots of land in the Lockhill area owned by the council had not recovered the arrears of rent for a period of 43 months to 126 months.	Actions should be taken to recover the arrears.	Arrangements have been made to conduct a survey of the place.

2. 2. 3 Court fines and stamp fees

----- Audit observation -----	----- Recommendation -----	----- Accounting Officer's Commentary -----
The court fine Rs. 1,446,874 should be recovered.	Actions should be taken to recover the arrears.	There is a delay in the release of the Provincial Council and the money has been requested to be released

### 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) Environmental permits

##### Audit observation

According to the National Environmental Act No. 47 of 1980 as amended by Acts No. 53 of 2000 and No. 56 of 1988 and the Extraordinary Gazette Notification No. 1523/16 of 25<sup>th</sup> of January 2008 issued in accordance with the regulations applicable under it, 03 businesses which had expired and obtained validity period. No action had been taken to issue new licenses.

##### Recommendation

Necessary investigations should be carried out and further action should be taken.

##### Accounting Officer's Commentary

A survey of expired environmental permits is being conducted and extensions are being made.

#### (B) Abundant tasks

##### Audit observation

The sabha had entered into an agreement for the construction of a new building on 11<sup>th</sup> of May 2015 at a cost of Rs. 83,373,432 and as at 31<sup>st</sup> of December 2016, Rs. 21,559,211 had been paid for it. Its work had been suspended for more than two years due to administrative and technical problems.

##### Recommendation

Agreements should be reached with the relevant parties to complete the project

##### Accounting Officer's Commentary

Attempts are being made to complete the construction of the building, but it is being delayed due to the current legal situation.

(C) Sustainable Development Goals  
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Audit observation  
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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  
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Actions should be taken and to achieve sustainable development objectives and targets.

Accounting Officer's  
Commentary  
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The Sustainable Development Goals for 2019 have not been planned and steps have been taken to achieve them in the future.

3.2 Management Inefficient  
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Audit observation  
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(a) During the year under review, the lorry belonging to the sabha which had crashed had not been inspected in accordance with Financial Regulation 104 and no compensation had been obtained from the relevant insurance company

Recommendation  
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The relevant investigation should be completed as soon as possible and action should be taken.

Accounting Officer's  
Commentary  
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The insurance corporation has refused to pay the insurance compensation. Although an inquiry has been directed under Monetary Regulation 104 (3), no inquiries have been conducted so far.

(b) Nearly two years have passed since the establishment of the Kotagala Pradeshiya Sabha, but the existing Nuwara Eliya Pradeshiya Sabha had not taken over the legal ownership of 17 units of land and buildings

Actions must be taken to acquire the legal right

Work is underway to obtain legal ownership of the land and buildings.

(c) Deposits had not been obtained from the officers who were required to post bail in accordance with Monetary Regulation 880.

Action should be taken to obtain deposits from the officers who have fulfilled the relevant responsibilities.

Employees' deposits has been due since June.

### 3.3 Human Resource Management

#### Audit observation

#### Recommendation

#### Accounting Officer's Commentary

There were 44 vacancies in 14 posts.

Actions should be taken to fill the vacancies.

Preliminary work has been done to fill the vacancies in the table. Will be recruited as soon as it is completed. Requests have been made to provide officers for other posts.

### 3.3 Assets Management

#### 3.4.1 Ideal/ underutilized assets.

#### Audit observation

#### Recommendation

#### Accounting Officer's Commentary

A small Kubota tractor and four trailers belonging to the Pradeshiya Sabha were kept in the premises of the Pradeshiya Sabha without being used.

Follow the recommendations of the Board of Survey.

These assets do not belong to the sabha but to Nuwara Eliya Pradeshiya Sabha.

### 4 Accountability and good governance

#### 4.1 Budgetary Control

#### Audit observation

#### Recommendation

#### Accounting Officer's Commentary

According to Rule 193 of the 1988 Pradeshiya Sabha (Finance and Administration) no statement was made on the changes that have taken place between the budgeted financial provisions and the actual revenue and expenditure.

Action should be taken to make a statement explaining the changes in accordance with the relevant rules.

Steps have been taken to rectify the shortcomings pointed out and to prepare the budget for the coming year correctly.

4.2 Internal Audit

----- Audit observation	Recommendation	Accounting Officer's Commentary
----- Adequate internal audit was not carried out during the year under review.	----- An internal audit should be conducted and reports should be submitted.	----- Arrangements have been made to conduct an adequate internal audit in the future.