

Nuwaraeliya Pradeshiya Sabha

Nuwaraeliya District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 17 July 2015 while Financial Statements relating to the preceding year had been submitted on 02 May 2014. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 09 September 2015.

1.2 Opinion

In view of the importance of matters pointed out in paragraph 1.3 in this report, my opinion is that the financial statements have not been prepared in accordance with the Generally Accepted Accounting Principles so as to reflect a true and fair view of the financial position of the Nuwara Eliya Pradeshiya Sabha as at 31 December 2014, its financial performance and cash flows for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Policies

Accounting Policies based on preparation of financial statements relevant to the year under review had not been disclosed with financial statements presented.

1.3.2 Accounting Deficiencies

Following matters are observed.

- (a) The Courts Fines Revenue amounting to Rs. 3,167,335 due to be received as at 31 December of the year under review had been accounted as Rs. 12,452,309. Due to that, Current Assets for the year under review had been overstated in a sum of Rs. 9,284, 974 in the financial statements.
- (b) The Stamp Fees Revenue amounting to Rs. 8,386,668 relevant to the year under review had been accounted as Rs. 3,711,479. Due to that, revenue for the year under review had been understated in a sum of Rs. 4,675,189. In addition to this, Stamp Fees to be received amounting to Rs. 2,515,313 as at 31 December of the year under review had been accounted as Rs. 3,711,479. Due to that, Current Assets had been overstated in a sum of Rs. 1,196,166 too, in the financial statements.
- (c) Audit Fees amounting to Rs. 156,576 relevant to the year under review had not been included in the financial statements. Due to that, Current Liabilities had been understated to that extent.
- (d) A sum of Rs. 3,297,221 payable as contributions to Local Government Pension Fund in respect of the preceding year had been accounted as as an expenditure for the year under review. Due to that, expenditure for the year had been overstated to that extent in the financial statements.
- (e) Action had not been taken to account the value of Machinery and Equipment of the Kandapola Sub-office as at the end of the year under review.
- (f) Although payments and receipts relating to each item of payments and each item of revenue should be obtained from the summarized registers and accounted according to the Local Government Accounting System, 19 incorrect journal

entries had been prepared by connecting the cash book and the receipts and payments, and had been presented with the financial statements.

- (g) Action had not been taken during the current year to rectify 5 accounting deficiencies valued at Rs. 39,561,187 pointed out through the audit report for the preceding year.

1.3.3 Non-reconciled Control Accounts

Non-reconciliations in a sum of Rs. 42,506,462 were observed between balances of 10 Control Accounts maintained in the Sabha and the relevant registers.

1.3.4 Suspense Account

The debit balance in the Suspense Account as at 31 December 2014 was Rs.67,129,574.

1.3.5 Accounts Receivable

While the value of balances of Accounts Receivable as at 31 December 2014 was Rs.35,500,472, value of balances that had elapsed a period of one year included therein was Rs. 6,737,200.

1.3.6 Accounts Payable

While the value of balances of Accounts Payable as at 31 December 2014 was Rs.83,939,875, value of balances that had elapsed a period of one year included therein was Rs.71,805,939.

1.3.7 Lack of Evidence for Audit

Transactions totalling Rs. 114,271,974 could not be satisfactorily accepted in audit due to non-submission of required information to audit.

1.3.8 Non-compliance with Laws, Rules, Regulations etc.

Following instances of non-compliance with Laws, Rules, Regulations and Management Decisions were observed in audit.

<u>Reference to Laws, Rules, Regulations etc.</u>	<u>Non-compliance</u>
(a.) Clause 4.6 in Chapter XXIV of the Establishments Code of the Republic of Sri Lanka	- Action had not been to recover Staff Loan balances amounting to Rs. 111,932 outstanding over a long period from 09 employees who were in service of the Sabha.
(b.) Financial Regulations of the Republic of Sri Lanka	
(i.) F.R. 396 (d)	- Action in terms of Financial regulations had not been taken with regard to 05 cheques valued at Rs. 22,335 that had elapsed 06 months after the issue as at 31 December 2014.
(ii.) F.R. 371	- Advances valued at Rs. 1,272,136 granted in 76 instances had not been settled.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2014 amounted to Rs.6,505,649 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 9,136,840. Accordingly, a decline of Rs. 2,631,191 was observed in the financial results.

2.2 Analytical Financial Review

When the surplus for the year under review is compared with the surplus for the preceding year, a decline in a sum of Rs.33,049,430 were observed. It was mainly due to decrease of revenue in 03revenue items and increase of expenditure in 03 items of expenditure.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information furnished by the Chairman relating to Estimated Revenue, Actual Revenue and Arrears of Revenue for the year under review is shown below.

Item of Revenue	Revenue Collection			Arrears of Revenue					
	Arrears as at 01.01.2014	Revenue Billed during the year 2014	Total Revenue to be collected during the year 2014	Out of Arrears as at 01.01.2014	Out of Billings for 2014	Total Revenue Collected	Out of Arrears as at 01.01.2014	Out of Revenue Billed 2014	Total Arrears
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates	5,088,074	4,591,701	9,679,775	2,473,329	2,558,148	5,031,477	2,033,553	2,614,745	4,604,968
Acreage Tax	278,641	200,724	479,365	189,451	209,416	398,867	(8,692)	89,190	80,499
License Fees	0	4,044,000	4,044,000	--	4,044,000	4,044,000	0	--	--
House Rent	147,421	203,072	350,493	23,027	175,398	198,425	124,394	27,675	152,069
Stalls Rent	290,026	437,523	727,549	209,600	262,337	471,937	175,186	80,427	255,612
Land Taxes	251,743	78,070	329,813	60,239	53,580	113,819	24,490	191,503	215,994
Weekly Fair	220,130	783,417	1,003,547	220,130	779,042	999,172	4,375	--	4,375
Water Charges	1,352,798	1,904,217	3,257,015	1,085,965	779,524	1,865,489	1,124,693	266,833	1,391,526
Meat Stalls Rent	876,298	3,322,935	4,199,233	750,286	3,119,394	3,869,680	203,541	126,012	329,553

2.3.2 Court Fines and Stamp Fees

Value of amount receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2014 was Rs. 16,163,788.

2.3.3 Trade Licence

Instead of billing and recovering the Trade License Fees after carrying out a survey properly at the beginning of the year, only the Trade License Fees collected by the Sabha had been billed.

3. Operating Review

3.1 Performance Evaluation

It was not possible to compare the physical and financial performance from the Progress Reports and the Administrative Reports prepared in order to ensure compliance with the Annual Action Plan.

3.2 Procurement Plan

A Procurement Plan had not been prepared for the year under review.

3.3 Improper Transactions

Following matters are observed.

- (a) A sum of Rs. 50,660 had been over paid exceeding the market value for tyres and batteries purchased for Rs. 259,960 during the year under review.
- (b) An excessive sum of Rs. 54,000 paid due to making repeated payments for 06 days of hearing relevant to a case filed against the Sabha was included in the amount paid in three instances totalling Rs,103,500.
- (c) An over payment of 12,200 had been obtained by submitting two vouchers in settlement of advance obtained to get the revenue license of vehicle No. CPPB-6635 belongs to the Sabha, relevant to the year ended July 2014.
- (d) A sum of Rs. 183,462 had been overpaid by preparing bills for the same items of work in 02 instances relating to construction of a cabin for the Meepilimana Maternity Clinic by the Sabha.

3.4 Contracts Administration

Although advances amounting to Rs. 891,150 had been paid to commence works of 19 Projects, Works had not been completed even as at 31 December 2014.

3.5 Solid Waste Management

While a proper methodology had not been followed by the Sabha with regard to Solid Waste Management in Nanuoya and Kandapola towns, garbage was being dumped in a manner causing damages to the environment.

4. Accountability and Good Governance

4.1 Annual Action Plan

Action Plan for the year under review had not been submitted to audit.

4.2 Budgetary Control

According to the Budget prepared for the year under review, when estimated revenue and expenditure are compared with the actual revenue and expenditure, variations from 10 per cent to 64 per cent in 05 Items of revenue and variations from 26 per cent to 160 per cent in 05 items of expenditure were observed. Accordingly, it was observed that the Budget had not been made use of as an effective tool of management.

4.3 Internal Audit

An adequate Internal Audit had not been carried out in the establishment.

5. Systems and Controls

Special attention of the Sabha is needed in the following areas of controls.

- (a.) Accounting
- (b.) Internal Control
- (c.) Revenue Administration
- (d.) Debtors and Creditors Control
- (e.) Assets Management