

Nuwara-Eliya Pradeshiya Sabha

Nuwara-Eliya District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 28 March 2013 and the financial statements for the preceding year had been presented on 27 March 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 11 July 2013.

1.2 Opinion

In view of the comments and observations appearing in my report, I do not express an opinion on the financial statements of the Nuwara-Eliya Pradeshiya Sabha for the year ended 31 December 2012 presented for audit.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following observations are made.

- (a.) Court Fines amounting to Rs.3,327,048 relating to the preceding year, but, received during the year under review had been treated in the accounts as an income for the year under review and therefore, the income for the year had been overstated in the financial statements by a similar amount.
- (b.) Fixed deposits amounting to Rs.1,500,000 shown in the financial statements as at 31 December of the year under review had been debited to the advances as at that date as well.
- (c.) Bank balances had been shown in the financial statements as at 31 December of the year under review, instead of the cash balances and as a result the cash balance had been understated by a sum of Rs.43,737 in the financial statements.
- (d.) A difference of Rs.3,006,574 was observed between 08 balances of ledger accounts shown in the financial statements as at 31 December of the year under review and the balances as per relevant subsidiary registers.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and the Arrears of Revenue

Information relating to the estimated revenue, actual revenue and the arrears of revenue relating to the year under review as presented by the Chairman is shown below.

<u>Item of Revenue</u>	<u>Estimated</u>	<u>Actual</u>	<u>Cumulative Arrears as at 31 December</u>
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	Rs.000'	Rs.000'	Rs.000'
i. Rates and Taxes	8,920	4,679	4,241
ii. Lease Rent	4,220	2,998	1,222
iii. Licence Fees	2,873	2,873	-
iv. Other Revenue	3,296	1,861	1,435

2.3.2 Lease Rent

- (a.) Twenty seven lands owned by the Sabha had been leased out without carrying out any assessment and 31 stalls had been leased out based on an assessment made in the year 2000.
- (b.) Sixteen stalls situated at 03 locations within the area of authority of the Nanuoya Sub-office had been leased out at a monthly rent of Rs.75 without making any assessment.
- (c.) Lease rent for lands amounting to Rs.118,026 was in arrears as at 31 March 2013 from 12 lands owned by the Sabha that had been situated within the area of authority of the Nanuoya Sub-office. The lease rent of these lands had not been billed after 2009 and the above arrears were relating to the billing done up to year 2009.
- (d.) Lease rent amounting to Rs.99,546 was in arrears as at 31 March 2013 from 05 houses owned by the Sabha that had been situated within the Nanuoya area and the details of the locations of these houses and the lease agreements had not been made available to audit.

2.3.3 Revenue from Hoardings

- (a.) Action had not been taken in terms of Sub-section 39 of the Pradeshiya Sabha By-laws No.520/07 dated 23 August 1988 of the Democratic Socialist Republic of Sri Lanka and the Gazette Notification No.1790 dated 21 December 2012; to recover hoarding charges amounting to Rs.916,200 due from 06 hoardings installed within the areas of authority of Kandapola and Nanuoya Sub-offices of the Sabha.
- (b.) It was observed in audit that the officers had defrauded a sum Rs.22,500 by altering the receipts relating to charges amounting to Rs.25,000 paid by a private financial institution for years 2012/2013 in respect of hoardings, located in the Kandapola town.

2.3.4 Court Fines and Stamp Fees

Money receivable as at 31 December 2012 from the Chief Secretary of the Provincial Council and other authorities were as follows.

	Rs.
(i.) Court Fines	5,360,923
(ii.) Stamp Fees	7,327,304

2.4 Assets Management

Idle and Underutilized Physical Resources

A Kubota Tractor and a Motor Cycle had been removed from road running for over a long period and action had not been taken to repair and use or to dispose of them in a suitable manner.

2.5 Irregular Transactions

Entertainment expenses amounting to Rs.70,785 had been incurred in addition to the travelling expenses and combined allowances paid for the Anti-Dengue Programmes conducted for 20 days during July and August of the year under review.

- (c.) Nine cheques valued at Rs.92,920 received as revenue of the Sabha relating to the period from January 2011 to 2012 had been dishonoured and suitable action had not been taken in terms of Financial Regulation 188(c), (d) and (g) of the Republic of Sri Lanka and Rule 31 of the Pradeshiya Sabha (Financial and Administrative) Rules-1988.
- (d.) There was no proper procedure for the safety of legal evidence necessary to ensure the ownership for the assets owned by the Sabha. Therefore an infavourable judgment had been given for the court case filed for recovery of land rent outstanding and re-acquisition of the Transpesion land at Nanuoya owned by the Sabha. Case charges amounting to Rs.63,480 had to be paid in this connection and the Sabha had lost the ownership of the land also.

3. Systems and Controls

Special attention of the Sabha is drawn in respect of the following areas of systems and controls.

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