

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 Audit on 22 May 2014 while Financial Statements relating to the preceding year had been submitted on 28 March 2013. The Auditor General's Report relating to the year under review was sent to the chairman on 21 October 2014.

1.2 Disclaimer of Opinion

Because of the significance of matters described in paragraph 1.3 of this report, I am of opinion that the financial position as at 31 December 2013 of the Nuwaraeliya Pradeshiya Sabah and its financial operations for the year then ended do not reflect a true and fair view according to Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Financial statements submitted by the Pradeshiya Sabah for the year under review had not been prepared in conformity with Public Sector Accounting Standards.

1.3.2 Accounting Policies

Accounting policies based in preparation of financial statements submitted for the year under review had not been disclosed together with the financial statements submitted by the Pradeshiya Sabha.

1.3.3 Accounting Deficiencies

Following matters are observed.

- (a.) The Courts Fine Revenue and Stamp Revenue relevant to the year under review amounting to Rs.7,491,257 and Rs.12,533,371 respectively, had been accounted as Rs.5,017,545 and Rs.5,617,956 . Due to that, revenue for the year had been understated in a sum of Rs.9,389,127.
- (b.) The Courts Fine Revenue and Stamp Revenue receivable as at 31 December of the year under review amounting to Rs.2,502,749 and Rs.9,862,546 respectively had been shown as Rs.8,344,596 and Rs. 3,351,049. Due to that, the total of Currant Assets had been understated in a sum of Rs.669,650.

- (c.) The value of works planned to be executed out of Sabha Funds at an estimated cost of Rs.12,329,969 during the year 2013 had been included in the in the sum of Rs.49,242,233 shown as Work Debtors under Current Assets. Due to that, Work Debtors and Capital Expenditure as at 31 December 2013 had been overstated to that extent.
- (d.) Provision for Audit Fees relevant to the year under review had not been shown in the financial statements.
- (e.) The balance of the Advance Account amounting to Rs.4, 667,795 as at 31 December of the year under review had been shown as Rs.4,657,795. Due to that, value of Currant Assets as at 31 December 2013 had been understated in a sum of Rs.10,000.
- (f.) Although the payments and receipts of each items of expenditure and each item of revenue should be extracted from the summarized balances in accounting , according to the Local Government Accounting System ,32 journal entries had been submitted with the financial statements having made incorrect debits and credits with the cash book.
- (g.) While the cash transferred from the general cash account to the works cash account during the year 2012 amounting to Rs. 5,412,723 had been recorded as unsettled advances, in correcting that error cash account had been debited having credited the advance account erroneously, instead of crediting the advance account having debited the relevant expenditure account.
- (h.) The value of the Deposits Refundable amounting to Rs.2, 719,406 as at the end of the year under review had been accounted as Rs.8,198,656. Due to that, Currant Liabilities as at the end of the year had been overstated in a sum of Rs.5,479,250.

1.3.4 Non-reconciled Control Accounts

A difference of Rs. 15,896,661 was observed when balances in the 05 Subsidiary Registers maintained in the Sabah were compared with the balances of relevant Control Accounts.

1.3.5 Suspense Account

The debit balance of the Suspense Account as at 31 December 2013 was Rs.69,944,595.

1.3.6 Accounts Receivable

While the value of balances of Accounts Receivable as at 31 December 2013 had been Rs.53,954,452, total of balances that had exceeded 01 year included therein had been Rs.644,216.

1.3.7 Accounts Payable

The total value of 03 balances of Accounts Payable that had exceeded 01 year as at 31 December 2013 had been Rs.18,569,477.

1.3.8 Lack of Evidence for Audit

- (a.) Transactions valued at Rs.106,167,586 could not be satisfactorily accepted in audit due to non-submission of required information for the Audit.
- (b.) While 33 blocks of land belong to the Pradeshiya Sabah had been leased out to outside parties, lease agreements relevant to 15 blocks out of those were not furnished to audit.
- (c.) Any evidence was not revealed relating the issue of 49 trousers valued at Rs.61,005 and 06 rain coats valued at Rs.7,470 purchased during the year under review.

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

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

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
(a) Pradeshiya Sabah (Financial and Administrative) Rules of 1988 Rule 5	Outside parties had been using 24.19 perches of the land where Shanthipura observation cabin is located during a period of 08 years.
(b) Circular No. 01/2013 dated 05.04.2013 of the Central Province Commissioner of Local Government.	A sum of Rs. 250,000 had been paid as fuel allowance to 10 Peoples' Representatives who do not own or had borrowed a motor vehicle, motorcycle or a three wheeler.
(c) Financial Regulations 189 and 486 of the Republic of Sri Lanka and Rule 31 of the Pradeshiya Sabah (Financial and Administrative) Rules of 1988	Action in terms of Financial Regulations had not been taken with regard to 06 dishonored cheques valued at Rs. 17,543
(d) Financial Regulation 371 of the Republic of Sri Lanka	Advances totalling Rs. 4,657,794 paid in 45 instances had not been settled even as at 31 December of the year under review.

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 2013 amounted to Rs.9,136,840 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 15,072,463

2.2 Analytical Financial Review

When the surplus for the year under review is compared with the surplus for the preceding year, there had been a diminution of Rs.5,935,623. It was due to decrease in warrant charges and fines by 20 percent and increase of expenditure in 04 items of expenditure in a range between 16 and 60 percent.

2.3 Revenue Administration

2.3.1 Revenue, Actual Revenue and Arrears of Revenue

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

	Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
	-----	-----	-----	-----
		Rs.'000	Rs.' 000	Rs. '000
(i)	Rates and Taxes	7,990	3,024	4,966
(ii)	Lease Rent	4,523	3,480	1,043
(iii)	Licence Fees	3,514	3,514	-
(iv)	Other Revenue	2,400	2,108	292

2.3.2 Stalls Rent

A minimum rent such as Rs. 30 and Rs. 50 had been recovered for the stalls belong to the Sabha on the basis of the assessment of Revenue Inspector. A large sum of revenue receivable to the Sabha on account of Kotagala Market Complex, Rosita Daily Fair and Rosita Modern Stalls, had been lost due to recovery of rent based on the assessment made in 1987.

2.3.3 Land Tax

Taxes were being recovered for 33 blocks of land belong to the Sabah on the basis of an old assessment of more than 17 years.

2.3.4 Court Fines and Stamp Fees

Value of Court Fines and Stamp Fees receivable from the Central Provincial Council as at 31 December 2013 had been Rs. 12,364,797.

3. Operating Review

3.1 Management Inefficiencies

- (a.) Although a Development Permit had been given after approval for sub partitions for auctioning Lindula Farmston Land belong to the area of authority of the Sabha, action had not been taken to vest the part of land to be vested in the Sabha.
- (b.) It was not possible to compare the physical and financial performance through the management reports, to ensure compliance with the Annual Action Plan.

3.2 Contracts Administration

- (i.) It was revealed at the physical inspection carried out on 20 May 2014 that out of the materials purchased without a plan for fencing 05 cemeteries in the area of authority of the Sabha for a sum of Rs.680,250, 48 bags of cement valued at Rs.51,900 and a half cube of sand had not been used for more than 06 months and due to that, those items had been wasted.
- (ii.) An estimate had been prepared for a sum of Rs. 3,592,171 for the construction of Nagasena Library out of Sabah Funds during the year and work had been assigned to two societies in the area of authority, violating the provisions in the Procurement Guidelines introduced through the Circular No.352/12 dated 23-02-2001 and the Circular No.352/19 dated 04.03.2002 of the Director General of Finance. Although a sum of Rs.718,434 as 20% advance relevant to those contracts had been paid to the relevant societies on 31 December 2013, it was revealed at the physical inspection carried out on 22 May 2014 that any construction had not been made although more than a period of 05 months had elapsed after granting the advance.
- (iii.) The gate constructed for the Nagasena Library having spent a sum of 28,951 out of Sabah Fund had been unfixed and removed as it had become unusable before expiry of 05 months.
- (iv.) An agreements had been entered into with two societies for a total sum of Rs. 1,685,946, as Rs.592,028 for the year 2012 and a sum of Rs.1,093,918 for the year 2013 and a sum of Rs.500,000 had been paid to the two societies in three occasions for the construction of the retuning wall of the Kandapola public latrine and the well. At the physical inspection carried out on 22 May 2014 it was observed that the relevant wall had been fractured and the entire project had been a failure.

3.3 Delays in Execution of Projects

Following Projects had not been completed even as at 30 April 2014.

Particulars	Agreed Amount	Date of signing the agreement	Date to be completed	Preliminary Payment
-----	-----	-----	-----	-----
	Rs.			Rs.
i. Development of Bogawantalawa Pre-school	184,558	30.12.2013	30.01.2014	50,000
ii. Construction of Boundary Fence of Diagama Town	363,059	20.12.2013	20.02.2014	66,000
iii. construction of the retaining wall of the Kandapola public latrine and the well	1,110,000	30.09.2013	30.11.2013	395,011
iv. Construction of Nagasena Library – Stage 1	1,975,059	20.12.2013	20.03.2014	395,011
v. Construction of Nagasena Library – Stage 2	1,950,005	30.12.2013	20.03.2014	323,422
vi. Construction of Culverts Talankanda Estate	273,447	27.12.2013	27.01.2014	49,717
vii. Construction of Culverts Farmston Estate	25,000	19.06.2013	19.07.2013	12,500
viii. Concreting Bearvail Road	99,727	26.11.2013	26.12.2013	19,945
ix. Concreting Chandana Avenue, Dharrmapala Pura.	50,000	20.12.2013	20.12.2013	29,086
x. Construction of Bus Halting Place Kandapola 6th Pos	95,000	06.12.2012	06.01.2014	20,000
xi. Construction of the Wall and the Security Room of the Mary's Library Building	205,210	08.11.2012	08.12.2012	41,042

3.4 Solid Waste Management

While a proper methodology had not been followed by the Pradeshiya Sabha for Solid Waste Management, garbage were being dropped to places near Kandapola, Ragala

Road, Udupihilla, Nanuoya, and Kotagala Crematorium in a manner harmful to the environment.

4. Accountability and Good Governance

4.1 Annual Action Plan

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

4.2 Annual Procurement Plan

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

4.3 Budgetary Control

According to the Budget prepared for the year under review, when estimated revenue and expenditure compared with the actual revenue and expenditure, variations in a range from 05 to 89 percent in 07 items of revenue and 03 to 238 percent in 07 items of expenditure were observed. Therefore it was observed that the Budget had not been made use of as an effective tool of management.

4.4 Un-resolved Audit Queries not Replied

Replies had not been furnished to 18 audit queries as at 31 December of the year under review.

4.5 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