

Nuwaraeliya Pradeshiya Sabha

Nuwaraeliya District

1. Financial Statements

1.1 Presentation of Financial Statements

While Financial Statements for the year under review had not been submitted to Audit, Auditor General's Report relating to transactions, operations and performance relating to the year under review was sent to the Secretary of the Sabha on 09 August 2015.

1.2 Comments on Transactions, Operations and Performance

1.2.1 Non-compliance with Laws, Rules and Regulations.

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

Reference to Laws, Rules and Regulations	Non-compliance
(a) Pradeshiya Sabha (Financial and Administrative) Rule 218	Action had not been taken to carry out a Survey annually with regard to Land and Buildings belong to the Sabha.
(b) Financial Regulations of the Republic of Sri Lanka	
(i) Financial Regulation 189	Although a period 03 to 34 months had elapsed after dishonor of 06 cheques valued at Rs. 177,040, any course of action had not been taken in that connection.
(ii) Financial Regulation 371	Advances granted in 45 instances during the period from the year 2009 to the year 2014 and not settled up to now amounting to Rs. 5,193,262 and advances granted in 20 instances during the year 2015 amounting to Rs. 13,842,229 totaling as Rs. 19,035,491 had not been settled.

(iii) Financial Regulation 571

Deposits amounting to Rs. 1,557,401 made in 49 instances which had elapsed a period exceeding 02 years had not been cleared.

(iv) Financial Regulation 756

Annual Board of Survey for the year under review had not been conducted.

1.3 Revenue Administration

1.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

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

Item of Revenue	Arrears as at 01.01.2015 Arrears	Billings during the year 2015	Total Revenue to be collected	Out of Billings for the year	Arrears of Revenue as at 31.12.2015	
					Out of Arrears as at 01.01.2015	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates	4,382,268	4,122,637	8,504,905	2,511,058	2,811,467	3,182,380
Lease Rent	870,873	5,200,994	6,071,867	4,790,966	466,019	814,942
License Fees	-	3,991,174	3,991,174	3,991,174	--	--
Water Charges	1,388,171	2,178,026	3,566,197	1,223,916	996,411	1,345,870

1.3.2 Rates

Although there had been arrears of Rates amounting to Rs. 3,182,380 as at 31 December 2015 action in terms of provisions in Pradeshiya Sabha (Financial and Administrative) Rules 32 to 42 had not been taken for the recovery of amounts in arrears.

1.3.3 Rent Income

Although Rent had been in arrears for a period from 04 to 28 months relevant to 21 trade stalls, action in terms of clause 07 in the agreements had not been taken in that connection.

1.3.4 License Fees

While taxes relating to Trade Licenses and Industries had been accounted on cash basis, action had not been taken to recover revenue after carrying out a survey with regard to institutions liable to obtain licenses and recording in the registers, in terms of provisions in Pradeshiya Sabha (Financial and Administrative) Rule 59.

1.3.5 Water Charges

In instances of defaulting payment of Water Charges by the consumers, the Sabha had not taken action to disconnect the Water supply and recover the amounts in arrears.

2. Operational Review

2.1 Operational Inefficiencies

- (a) The Land named Krisless Farm in extent of 01 acre 02 rude and 38.6 perches had been partitioned to 37 lots and had been provided on monthly rent basis under agreements vide Sabha decision No. 03.05 dated 03 February 2010 ,contrary to Section 19 (xi) of the Pradeshiya Sabha Act No. 15 of 1987 and Clause 3:5 in the Circular No. CP/RD/02/10 dated 03 February 2010 of the Secretary to the President. . While the basis of selection of beneficiaries of lands in this was not clarified to Audit, lots of land had been given on lease to 08 members and 21 officers of the Sabha.
- (b) Four sets of sauce pans valued at Rs. 60,000 purchased out of decentralized funds during the year 2012 had not been distributed among the relevant beneficiaries even as at 15 October 2015.
- (c) While financial statements for the year 2015 were not submitted even up to 20 June 2016, action too had not been taken to settle the debit balance of Rs. 67,129,547 in the Suspense Account.

2.2 Un-economic Transactions

While it was scheduled to demolish the building where the Sabha was functioning during May 2015 an expenditure amounting to Rs. 950,052 had been incurred for the construction of a front office during the period from April 2014 to April 2015. This expenditure had been a fruitless, as the old building had to be demolished and remove during the month of May 2015 for construction of the new building.

2.3 Contracts Administration

2.3.1 Construction of the New Building Complex

Following matters are observed.

- (a) A sum of Rs. 11,000,000 had been paid as mobilization advance, after carrying out procurement works and signing agreements on 15 May 2015 for this Project consist of a cost estimate of Rs. 75,000,000, in anticipation of obtaining a loan from the Local Loans and Development Fund, without getting confirmed specifically that funds will be received in terms of clause 4.1.1 (c) in Government Procurement Guidelines. However, works of the Project had been stopped at present, during nearly a period of one year, as it had not been able to obtain the anticipated loan.
- (b) Although it is required in terms of clauses 2.3.2 (b) and (c) in the Government Procurement Guidelines to submit the bid schedules including specifications to the Technical Evaluation Committee and get the approval before inviting for bids, action had not been taken accordingly.
- (c) While the matter, that the contractor should be a person who had performed works exceeding Rs. 100 million successfully during the preceding year in climatic conditions similar to Nuwaraeliya District had been taken as a Sabha decision on 3 March 2015, that particular specification had been a deciding specification in selecting the bidders. . However, that specification had not been reviewed and certified by the Technical Evaluation Committee before calling for bids to ensure that those specifications arisen naturally and that it would promote competition at an equal and equitable level according to Paragraph 2.6.1 (11) in the Government Procurement Guidelines.
- (d) Although specifications should not be made narrowly less than the required standard to achieve the procurement objectives according to Paragraph 5.6.1 in the Government Procurement Guidelines, specifications had been intentionally narrowed. A minimum of loss amounting to Rs. 8,426,532 had occurred to the Sabha due to evaluation of bids by limiting specifications under above circumstances.
- (e) Although a sum of Rs. 500,000 had been paid to the Project Consultant on 25 March 2015, an agreement had not been entered into with him.

2.3.2 Nanuoya Water Scheme

In purchasing 70 numbers of G.I Pipes of 02 inches radius with a thickness of 3.2 m.m. for Nanuoya Water Scheme, an overpayment at a rate Rs. 1,350 exceeding the market price per each pipe amounting Rs.94,500 had been made.

2.3.3 Development of Top Pass Road

At the physical inspection carried out on 29 January 2015, it was revealed that name board valued at Rs. 5,000 included in the bill of Rs. 949,984 relevant to Project for Development of Nuwaraeliya Top Pass Road had not fixed.

2.4 Project Delays

A sum of Rs. 705,510 had been paid for purchasing necessary material required for fixing Name Boards as “Dropping Garbage Prohibited” and “No Parking “in the area of authority of the Sabha, under the Program for Strengthening Pradeshiya Sabha. Materials so purchased had been issued to the Technical Officer of the Sabha and half finished 51 Name Boards and 35 Box Bars had been stacked in a container in the office premises as at 24 November 2015.

2.5 Vehicles Control

- i. Although the fuel consumption of the Three Wheeled Vehicle bearing No. CPYV – 5082 purchased during the year 2012 had been 27 k.m. per one liter of fuel at the time of testing during August 2013, it had come down to 18 k.m. per one liter of fuel at the time of test carried out during August 2014. While action had not been taken having looked into this matter, fuel consumption test had not been carried out after August 2014 as well.
- ii. Although the Revenue Licenses of the Cab Vehicle bearing No. CPPB – 9115 and Tractor bearing number CPJF – 7441 had expired during June and August 2015 respectively, action had not been taken to obtain revenue licenses for the ensuing year even up to 27 November 2015.

3. Good Governance and Accountability

3.1 Procurement Plan

A Procurement Plan had not been prepared with regard to purchases and construction works of the Sabha.

3.2 Internal audit

An adequate internal audit had not been carried out in the Sabha.

4. Systems and Controls

Special attention is needed in the following areas of systems and controls.

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