

Nuwaraeliya Municipal Council

Nuwaraeliya District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 13 June 2017 while Financial Statements relating to the preceding year had been submitted on 23 May 2016. The Auditor General's Report relating to the year under review was sent to the Secretary on 27 September 2017.

1.2 Qualified Opinion

In my opinion except for the effect on the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Nuwaraeliya Municipal Council as at 31 December 2016 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following matters are observed.

- (a) Although the recovery of stamp fees relating to transfer of lands during the year under review was Rs. 20,348,142, having credited debtors of Rs.19,582,142, a sum of Rs.766,000 had been credited to the Deposit Account. Subsequently, that amount of Rs.766,000 had been paid as the payable stamp duty and the money relevant to that payment had not been received by the Council. As a result of this, stamp duty income debtors of Rs. 766,000 overstated and recoverable stamp duty balance understated in financial statements.

- (b) The value of 10 swivel chairs of Rs.64,500 as at 31 December of the year under review had been shown under the machinery and equipment and as such, the value of the machinery and equipment and the value of furniture and fittings as at that date had been overstated and understated respectively in the financial statements.
- (c) The value of Cometshu Excavator received by the Council as a grant in the year 2015 had not been assessed and brought to account.
- (d) Without being accounted the water charges received relating to the ensuing period as at 31 December of the year under review under the current liabilities, it had been set off against the water charges receivable as at that date and shown in the financial statements. Further, the water charges received for the ensuing periods had not been computed.
- (e) Although payment of election duty claims amounting to Rs.462,747 paid on reimbursement basis in the year 2015 had been subsequently reimbursed by the Election Commissioner, that amount had been credited to the Refundable Deposit Account and as such, the balance of the Refundable Deposit Account and Payments on the Reimbursement Basis Account as at 31 December of the year under review had been overstated by Rs 462,747.
- (f) The value of two plastic grinding machines awarded to the Sandatenna Plastic and Polythene Recycling Centre of the Council on 03 October 2015 by the Central Environmental Authority had not been brought to account.
- (g) As estimated expenditure amounting to Rs. 2,128,000 of 5 works relating to the year 2015 which had not been completed or bills had not been presented as at 31 December of the year under review had been accounted under creditors, the creditors and the Accumulated fund as at 31 December of the year under review had been overstated and understated by that amount respectively in the financial statements.

(h) Bank charges totalling Rs.22,173 comprising Rs. 10,960 for the year 2015 and Rs. 11,213 for the year 2016 charged relating to a bank current account maintained in a private bank had not been accounted under the expenditure. Similarly, a sum of Rs.29,586 credited to this bank account in January in the year under review had not been identified and brought to account.

1.3.2 Receivable and Payable Accounts

(a) Accounts Receivable

Four receivable accounts balances totalling Rs. 3,132,827 elapsed for a period ranging from 1 year to 2 years as at 31 December of the year under review had not been recovered.

(b) Accounts Payable

Eight payable accounts balances totalling Rs. 60,021,736 elapsed for a period ranging from 01 year to 09 years as at 31 December of the year under review had not been settled.

1.3.3 Lack of Required Written Evidence for Audit

As schedules relating to 03 items of accounts amounting to Rs. 818,193 shown in the financial statements as at 31 December of the year under review had not been furnished, those could not be satisfactorily vouched in Audit.

1.3.4 Non-compliance with Laws, Rules and Regulations.

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

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Council for the year ended 31 December of the year under review amounted to Rs. 292,610,584 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 119,417,462, thus indicating an improvement of Rs. 173,193,122 in the financial results.

2.2 Analytical financial Review

Increase of Rs. 173,193,122 in the financial results was mainly due to increase of revenue in 06 revenue items.

2.3 Revenue Administration

2.3.1 Performance in Revenue Collection

Out of the stalls rentals amounting to Rs.15,663,051 remained in arrears at the beginning of the year under review, only a sum of Rs.4,907,552 or 31 per cent had been recovered during the year. Further, out of the rentals and chargers amounting to Rs.18,903,045 remain in arrears at the beginning of the year under review, only a sum of Rs.2,651,229 or 14 per cent had been recovered.

2.3.2 Rates

Action in terms of Section 252 of the Municipal Councils Ordinance had not been taken for recovery of Rates of Rs.65,408,453 that remained recoverable as at 31 December of the year under review.

2.3.3 Court Fines and Stamp Fees

Court Fines amounting to Rs. 1,059,915 and Stamp Fees amounting to Rs. 23,923,690 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December of the year under review.

2.3.4. Surcharge

A sum of Rs.731,559 remained receivable as at 31 December of the year under review relating to the surcharge imposed by me against persons responsible in terms of Sub-Section 226(1) of the Municipal Councils Ordinance (chapter.252)

3. Operating Review

3.1 Management Inefficiencies.

- (a) Sums totalling Rs.851,222 remained receivable relating to leasing out of common lavatories of the Municipal Councils for 07 months of the year 2015 had not been recovered.
- (b) The 10 mobile phones valued at Rs.429,720 given to 06 Council Members by spending funds of the Council from the year 2012 to 2016 had not been returned to the Council despite the expiry of the term of office of the Council.
- (c) By-laws had not been passed in connection with the recovery of charges from the three-wheelers run as the hiring vehicles within the area of authority of the Council and for their regulation.
- (d) A sum of Rs.2,787,500 remained receivable relating to the leasing of lands, 08 Acres 01 Roods and 07 Perches in extent belonging to the Council situated at Deniya, Baraklane, Hawaeliya to a private institution for 15 months from 31 July 2015 to 31 October 2016 had not been recovered.

3.2 Transactions of Contentious Nature

- (a) Even though advance amounting to Rs.40,000 had been paid to the Municipal Commissioner for the purchase of two audio recorders on 29 January 2016, those recorders had not been received by the stores or advances had not been settled even by 14 August 2017.
- (b) For the purchase of concrete benches to the Victoria Park of the Council, sums totaling Rs. 186,880 comprising Rs. 100,000 as advances and Rs.86,880 as direct payment had been paid to the supplier. Out of that, 18 benches had been purchased for Rs.86,880. Nevertheless, advance of Rs. 100,000 had not been settled and out of the total number of benches purchased 08 benches valued at Rs.38,640 had been damaged.
- (c) Sums totaling Rs.496,728 comprising Rs.464,949 as warrant charges and Rs. 31,779 as tax relief receivable from a private institute had been written off without proper authority.

3.3 Identified Losses

- (a) In connection with the damage of Rs. 127,000 caused due to breakage of a shutter of a motor vehicle belonging to the Council in Octobers 2015, an inquiry had not been conducted according to the Financial Regulation 104 and the persons responsible thereon had not been determined.
- (b) It had been informed by the Letter No. CSA/1/1/83 dated 05 June 2015 of the Secretary to the President that the foreign tours arranged at the cost of the Funds of the Local Authorities should be suspended with immediate effect. Nevertheless, a sum of Rs.918,825 out of the Council Fund had been spent for the participation of 06 Council Members in the Annual Ceremony of the Town Programme held in Japan in May 2016.

(c) As 220 rain coats valued at Rs. 429,000 had been purchased at Rs.1,950 each in the year 2011 without being properly recognized the requirement, those had been auctioned at Rs.28,500 in the year 2017 for the prevention of confinement of space of the stores, thus resulting a loss of Rs.400,500 to the Council Fund.

3.4 Environmental Issues

Even though wastes of lavatories of the employees quarters of the Postal Department had been disposed of irregular manner to the environment, action had not been taken to prevent it in terms of the Sections from 01 to 10 of Part X of the Municipal Councils Ordinance No.541/17 dated 20 January 1989.

4. Accountability and Good Governance

4.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 13 June 2017 while financial statements relating to the preceding year had been submitted on 23 May 2016.

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 86 per cent in 07 Items of Revenue and variations from 12 per cent to 73 per cent in 06 Items of Expenditure were observed. Accordingly, it was observed that the Budget had not been made use of as an effective tool of management.

5. Systems and Controls

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

Areas of Systems and Controls

Observations

(a) Revenue Administration

Failure to recover the revenue in arrears.

(b) Debtors and Creditors Control

Failure to recover the recoverable money and non- settlement of payable amounts.

(c) Accounting

Existence of various shortcomings on accounting revenue, expenditure and liabilities