

**NuwaraEliya Municipal Council**

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**NuwaraEliya District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

Financial Statements for the year 2017 had been submitted to Audit on 25 April 2018 and the Auditor General's Report relating to those financial statements had been sent to the Mayor on 08 October 2018.

**1.2 Qualified Opinion**

In my opinion, except for the effect of 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 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Comments on Financial Statements**

**1.3. Accounting Deficiencies**

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- (a) Industrial debtors and Accumulated Fund Account as at 31 December of the year under review had been overstated by Rs.2,500,000 and Rs.500,000 respectively.
  - (b) Since capital grants amounting to Rs.43,425,171 received during the year under review for 02 projects had not been brought to account, capital grants and capital expenditure had been understated by that amount .
  - (c) Although the arrears in Stamp Fees as at 31 December of the year under review amounted to Rs.25,330,864, it had been stated as Rs.24,788,545. Accordingly, current assets had been understated by Rs.542,319.
  - (d) The fiberglass street lamp post mould worth Rs.115,000 purchased during the year under review had not been brought to account under the fixed assets.
  - (e) Since the advance amounting to Rs.1,500,000 granted for the purchase of Ayurvedic drugs during the year under review had not been settled, expenditure and unsettled advances of the year had been understated and overstated respectively.

- (f) Even though the Display Cupboard worth Rs.145,000 purchased during the year under review had been correctly shown in the statement of financial position, settlement of advances issued thereon had not been brought to account.
- (g) As 02 container toilets purchased during the year under review at a cost of Rs.2,993,334 had not been capitalized, fixed assets and Revenue Contribution to Capital Input Account had been understated by that amount.
- (h) The cash prizes relating to the Central Province *Abimani* Awarding Ceremony,2016 and sums totaling Rs.4,225,000 received from various sponsors for Summer Festival,2017 had not been credited to the Revenue and it had been credited under the deposits. As such, revenue of the year under review had been understated by that amount.
- (i) The balance of Rs.889,094 existed in 02 bank accounts of the Councils at 31 December of the year under review had not been brought to account.
- (j) A sum of Rs.51,443 directly credited to a current account maintained by the Council in a private bank had not been recognized and brought to account.
- (k) A sum of Rs.126,425 credited to an account of the Council by the Department of Pensions in respect of loans due from the employees had not been shown in the relevant accounts.
- (l) As a sum of Rs.474,885 directly credited to a bank account had not been recognized and brought to account, cash balance as at the end of the year under review had been understated by that amount.
- (m) A sum of Rs.2,942,100 credited to a current account of the Council from a savings account maintained by the Council in a State bank in respect of transactions of the Urban Development Authority, had not been brought to account.

### 1.3.2 Receivable and Payable Accounts

#### (a) Accounts Receivable

Three receivable accounts balances elapsed for a period ranging from 1 year to 3 years as at 31 December of the year under review totalled Rs.1,665,194.

#### (b) Accounts Payable

Four payable accounts balances elapsed for a period ranging from 01 year to 10 years as at 31 December of the year under review totaled Rs.48,257,328.

### 1.3.3 Non-compliance with Laws, Rules Regulations and Management Decisions.

Instances of non-compliance with Laws, Rules, Regulations and Management Decisions are indicated below.

Reference to Laws, Rules, Regulations and Management Decisions	Amount	Non- compliance
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	Rs.	
(a) National Environmental Act, No.47 of 1980 as amended by the Act, No.53 of 2000 and the Act, No. 56 of 1988 and the Gazette (Extraordinary) No.1523/16 dated 25 January 2008.	213,360	Licences of 56 business undertakings had not been renewed and tax and stamp duty of Rs.213,360 had not been recovered.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka		
----- Financial Regulation 371 (2) and Public Finance Circular No.03/2015 dated 14 July 2015.	360,000	Ad hoc imprests amounting to Rs.360,000 granted for various purposes in 07 instances during the period from the year 2014 to December 2017 had not been settled even by February 2018.
	460,270	Ad hoc sub-imprests totaling Rs460,270 had been granted for Non-Staff Officers in 07 instances.
	330,000	Although the maximum amount payable at a time is Rs. 100,000, a sum of Rs. 330,000 exceeding the above limit had been granted in 02 instances.
(c) Financial Regulation 103 (1) and Financial Rules 54 of the Central Provincial Council.	655,402	Although losses amounting to Rs.655,402 had been sustained due to accidents caused to 05 vehicles belonging to the Council, action had not been taken on the above accidents .
(d) (i) Chapter XIX of the Establishments Code of the Democratic Socialist Republic of Sri Lanka	784,153	Curtains had been supplied for the official quarters used by the Municipal Engineer and the Municipal Commissioner by spending Rs.784,153 from the funds of the Council.

(ii) Section 5 of Chapter XIX	203,831	House rentals of Rs.140,612 as at 31 December of the year under review had not been recovered from 03 officers residing in the scheduled houses belonging to the Council.
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## 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 2017 amounted to Rs. 107,228,622 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 292,610,584

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue, and Revenue in Arrears

Information on the estimated revenue, billed revenue, collected revenue, and revenue in arrears, relating to the year under review and the preceding year, is given below.

Source of Revenue	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i). Rates and Taxes	82,248,792	86,961,780	82,637,247	93,255,272	79,600,000	87,652,308	92,193,341	92,483,611
(ii). Rents	83,038,586	48,619,605	47,505,781	40,637,959	69,769,544	41,850,851	46,080,115	36,717,443
(iii). Lince Fees	22,712,000	22,350,622	22,204,028	1,424,360	18,317,000	20,957,232	21,059,519	1,333,360
(iv). Other Revenue	157,353,000	157,989,575	144,979,163	194,695,830	118,426,000	154,225,665	141,831,318	175,330,061

## 2.2.2 Rates and Taxes

### (a) Rates

Out of the rates amounting to Rs. 65,408,453 remained in arrears as at 01 January of the year under review, a sum of Rs.19,771,179 or 30 per cent had been recovered during the year and a sum of Rs.45,637,274 further remained recoverable. Similarly, the rates billed for the year under review amounted to Rs.39,136,274 of which Rs.22,611,278 or 58 per cent had been recovered and a sum of Rs.16,524,996 further remained recoverable.

### (b) Water Charges

The revenue in arrears as at 01 January 2017 amounted to Rs.27,075,157 and the billing for the year under review stood at Rs.51,531,033. The total recovery of charges for the year was Rs.46,426,335 and the arrears of water charges amounted to Rs.32,179,855. Accordingly, progress of the recovery of arrears that remained at the beginning of the year and the billing of the year stood at 59.06 per cent.

### (c) Land Tax

Out of the land tax in arrears amounting to Rs.16,630,228 existed as at 01 January of the year under review, a sum of Rs.1,373,560 or 8.26 per cent had been recovered during the year and a sum of Rs.15,256,668 further remained recoverable. Further, the billed land tax revenue for the year under review amounted to Rs.1,742,247 of which Rs.483,557 or 27.75 per cent only had been recovered.

## 2.2.3 Rent

### (a) Stall Rents

Out of stall rents in arrears amounting to Rs.14,385,365 as at 01 January of the year under review, a sum of Rs.9,301,781 or 64.66 per cent had been recovered during the year and a sum of Rs.5,083,584 further remained recoverable. Further, the billed stall rents revenue for the year under review amounted to Rs.18,496,072 of which a sum of Rs.5,550,380 or 30 per cent only had been recovered.

### (b) House Rents

Out of house rents in arrears amounting to Rs.501,586 as at 01 January of the year under review, a sum of Rs.108,600 or 21.65 per cent had been recovered during the year and a sum of Rs.392,986 further remained recoverable. Further, the billed house rents revenue for the year under review amounted to Rs.80,700 of which a sum of Rs.2,664 or 3.30 per cent only had been recovered.

#### **2.2.4 Court Fines and Stamp Fees**

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Court Fines amounting to Rs. 531,553 and Stamp Fees amounting to Rs. 24,788,545 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2017.

#### **2.3.5 Surcharge**

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Of the surcharge imposed by me against persons responsible in terms of provisions in the Municipal Councils Ordinance, a sum of Rs.300,000 had not been recovered as at 31 December 2017.

### **3. Operating Review**

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#### **3.1 Performance**

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Matters revealed as to be performed by the Council in relation to the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people in terms of Section 4 of the Municipal Council Ordinance, are as follows.

(a) Failure to reach the expected level

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The following matters were observed.

In terms of the budget approved for the year 2017, a sum of Rs.135, 719,410 had been estimated for 03 capital works and a sum of Rs.50,310,064 only had been spent during the year. Accordingly, Rs.85,409,346 of the estimated capital expenditure had not been utilized and provisions ranging from 50 per cent to 92 per cent had been underutilized according to each programme.

(b) Sustainable Development Targets

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The Council was not sufficiently aware of the sustainable development goals and targets and adequate functions had not been discharge thereon during the year under review.

#### **3.2 Management's Inefficiencies**

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The following observations are made.

- (a) In the recovery of Entertainment Tax recoverable to the Council for the year under review from various entertainment events conducted by external parties at the Gregory Lake premises, it had not been carried out in a proper manner and the various deficiencies were observed in that respect.

- (b) The number of building applications approved by the Council during the period 2007-2017 was 883 and the number of Certificates of Conformity issued as at 31 December 2017 was 106. Accordingly, Certificates of Conformity had not been issued in respect of 777 building applications and follow-up action had not been taken to ascertain whether the relevant buildings had been constructed.
- (c) For the maintenance of boat service at the Gregory Lake for the ensuing period of 5 years, the Chief Minister of the Central Province had given approval for 17 boat owners on 10 July 2016. Agreements including relevant charges and terms and conditions had not been entered into with those boat owners. The limitations on the number of boats permitted to deploy in the service by a boat owner had also not been specified and it was observed that two boat owners had deployed 55 boats in the service. Further, arrears of Rs.532,957 receivable from two boat owners as at 31 December 2017 relating to the years 2016 and 2017 had not been recovered.

### **3.3 Human Resources Management**

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#### **Employees Vacancies and Excesses**

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The number of vacancies of 34 posts stood at 147 while the number of posts remained in excess as at 31 December of the year under review was 01.

### **3.4 Assets Management**

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#### **Idle /Underutilized Assets**

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Two container toilets had been purchased by the Council at a cost of Rs.2,993,335 during the year under review for the necessity of the Summer Festival, whereas the above toilets had not been used even by 28 August 2018.

## **4. Accountability and Good Governance**

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### **4.1 Presentation of Financial Statements**

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Financial Statements for the year under review had been submitted to Audit on 25 April 2018.

### **4.2 Budgetary Control**

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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 41 per cent to 73 per cent in 03 Items of Revenue and variations from 12 per cent to 155 per cent in 08 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

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Deficiencies observed during the course of audit test check were brought to the notice of the Council from time to time. Special attention is needed in the following areas of systems and controls.

<b>Systems</b>	<b>Deficiencies</b>
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(a) Revenue Administration	Failure to recover the revenue in arrears.
(b) Debtors and Creditors Control	Failure to settle the old balances.
(c) Assets Management	Failure to use the assets at optimum level Not properly maintained or repaired the assets.