

Nawalapitiya Urban Council
Kandy District

1. Financial Statements

1.1 Presentation of the Financial Statements

The financial statements of the year 2018 had been presented to the audit on the 28 March 2019 and the summary report of the Auditor General detailed management report regarding the financial statements had been presented to the chairman on 31 May 2019.

1.2 The Qualified Opinion

I am in an opinion that, except the effect on the financial statements of the matters referred under the section of the basis for a qualified opinion in this report, the financial statements had been prepared in accordance with generally accepted Accounting Principles and give a true and fair view of the state of affairs of the Nawalapitiya Urban Council as at 31 December 2018 and financial results of its operations for the year then ended.

1.3 The basis for a Qualified Opinion

(a) Accounting Deficiencies

Audit Observation -----	Recommendation -----	Comment by the Accounting Officer -----
(i) Two vehicles which had not owned to the sabha worth Rs. 113,000 had been capitalized.	Accounts must be made correctly.	I report that the assets have been capitalized.
(ii) The value of 5 office tables had been understated by Rs. 154,475.	Accounts must be made correctly.	I acknowledge the deficiency pointed out in the audit.

- | | | | |
|---------|---|----------------------------------|---|
| (iii) | 2 Income of Rs. 2,884,060 was had not been accounted in the income and expense account and as receivable revenue. | Accounts must be made correctly. | I report that these values are recorded in the income and expense account. |
| (iv) | It had not been accounted the value of 02 payable accounts amounting Rs.849, 194 collections of Rs .194, 222 various creditors balance of 25. | Accounts must be made correctly. | I informed that it is not accounted since it will be paid by accumulated funds. |
| (v) | Fixed Deposit Interest had been understated by an amount of Rs. 76,664. | Accounts must be made correctly. | It will be taken action to correct it in the future. |

(b) Non reconciled Accounts

Audit Observation -----	Recommendation -----	Comment by the Accounting Officer -----
It had been observed a difference of Rs. 412,699 when compare the total amount of Rs. 8,430,113 of 3 accounts subject stated in the financial statements with their relevant schedules, supporting documents and reports.	Actions should be taken to correct the 3 accounts by comparing the differences of the balances.	I will report that it will be corrected in the future.

(c) Accounts Receivable and Payable

Audit observations -----	Recommendation -----	Comment by the Accounting Officer -----
(i) Accounts receivable over a period of 5 years amounted to Rs.701, 821.	Action should be taken to recover the balance due.	Some debts have been received and I will take action to recover the receivables.

(ii)	2 Payable Accounts Balances of Rs. 7,523,725 which over a period of 5 years but no action had been taken to settle it.	Action should be taken to settle the outstanding balance.	Amounts payable will be settled in the future.
--------	--	---	--

(d) Lack of written evidence required for the audit

Audit Observation	Recommendation	Comment by the Accounting Officer
-----	-----	-----
04 accounting subject worth of Rs. 81,317,448 had not been vouched satisfactorily in audit due to non submission of the acceptable audit evidence to the audit.	It should be Presented of evidence confirming the balance sheet in the financial statements.	I will submit a schedule with answers.

1.4 Non-compliance

Non-compliance with laws, rules, regulations and management decisions

Refer to rules, rules, regulations and management decisions	Non-compliance	Recommendation	Comment by the Accounting Officer
-----	-----	-----	-----
(a) Section 157 (6) (g) of the Urban Council Ordinance and	The billboard charges had not been charged Rs.320, 248.	The billboard charges must be charged.	I will take action to recover these in future.

the
Extraordinary
Gazette of the
Democratic
Socialist
Republic of Sri
Lanka dated
October 30,
2016

- | | | | |
|--|---|---|---|
| (b) 371 (c) of the
Financial
Regulations of
the Democratic
Socialist
Republic of Sri
Lanka | Worth Rs .812, 031 side impress
recover at Science did not. | Action must be
taken
to cover the
impeachment. | Determination unea
rth further charged
.609,772 million ,
remains. |
| (c) Circular of the
Commissioner
of Local
Government No:
2016/03 dated
17th March
2016 | | | |
| (I) 5 (1)
Section | The estimated rent of the malls has
not been revised every five years. | Action should be
taken as per the
circular. | Will work to assess. |
| (ii) Paragraph
10 | The shops had been leased out to
various people. | Action should be
taken as per the
circular. | I will identify and
legalize the
intermediary. |

(iii) Paragraph 12	The 14 storeys of the supermarket had been changed without permission.	Action should be taken as per the circular.	The matter was revealed at the General Assembly on April 4, 2019. Accordingly, after examining the records of the Council, I will take further action.
(d) Procurement Guidelines Code 2006 Democratic Socialist Republic of Sri Lanka in 2.7.7 and Section 2.8.5	The Procurement and Technology Committee did not make decisions regarding purchases of Rs. 393,908.	Procurement guidelines must be followed.	I will report to the Technical Evaluation Committee where necessary and make purchases.

2. Financial Review

2.1 Financial results

According to the presented financial statements, excess of income over recurrent expenditure for the year ending 31 December 2018 amounted to Rs.744,664,940 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.15,890,776.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed amount of Revenue, collected Revenue and outstanding Revenue

 Details of Estimated Revenue, Billed Revenue, collected Revenue and Arrears of Revenue for the year under review and for the previous year are as follows.

Source of revenue	Estimated revenue	2018			2017			Total deficit as of December 31st
		Management Billed revenue	Revenue collected	Total deficit as of December 31st	Management Billed revenue	Revenue collected	Total deficit as of December 31st	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Assessment and Taxes	14,313,751	13,101,409	10,232,626	10,101,074	14,465,399	16,637,619	13,191,497	12,460,213
(ii) Rent	23,607,529	6,895,236	5,697,443	2,268,196	19,778,798	18,316,311	17,227,508	2,661,611
(iii) License fee	1,960,000	1,550,889	1,564,889	(14,000)	1,573,720	1,558,479	1,558,479	-
(iv) Other Revenue	14,227,280	30,274,978	13,855,845	19,545,294	10,486,880	12,849,030	16,172,072	2,680,747
	54,108,560	51,822,512	31,350,803	31,900,564	46,304,797	49,361,439	48,149,556	17,802,571

2.2.2 Performance of revenue collection

Audit Observation

Although the total income to be collected during the year under review was Rs.69,625,083 the revenue collection for the year was amounting Rs. 31,350,803 or 45 percent.

Recommendation

Arrears should be recovered.

Comment by the Accounting Officer

I accept the observation.

2.2.3 Rates and Taxes

Audit Observation

The arrears of tax payments of 11 government institutions amounted to Rs. 5,444,083.

Recommendation

The arrears of rates should be recovered.

Comment by the Accounting Officer

It will be taken action to recover this in future.

2.2.4 Other Income

Audit Observation

The revenue by selling fertilizer within year 1-6 had to be received amounting to Rs. 878,955.

Recommendation

This should be to be settled on time.

Comment by the Accounting Officer

The CECB has agreed to pay the amount due from the company to pay for the construction of the supermarket.

2. 2. 5 Court Fines and Stamp Fees

Audit Observation	Recommendation	Comment by the Accounting Officer
The receivable court fines amounting to Rs. 393,383 and stamp fees amounting to Rs.6, 500,000.	The relevant money should be charged to the Council.	It had received an amount of Rs. 446,886 of court fines and an amount of Rs. 5,696,010 of stamp fees had been received.

3. Operational Review

3.1 Performance

Following are the observations on the perform the functions of Public Health, the regulation of matters of public utility services and the management of public roads, people in comfort, convenience and welfare of the Council to regulate and administer public health, public utility services and public roads under section 4 of the urban council ordinance.

(a) By-laws

Audit Observation	Recommendation	Comment by the Accounting Officer
Under Section 157 of the Urban Council Ordinance, by-laws were to be enacted to meet 15 main matters, but it had imposed only for seven matters.	The council must make by-laws which can generate revenue and act to generate revenue.	7 out of 10 by-laws have been referred to the Department of Local Government for review.

(b) Not Achieving the Desired Output Level

Audit Observation	Recommendation	Comment by the Accounting Officer
A net fence had been made at Imbulpitiya herbal garden for a cost of Rs 100,000 off despite herb complaints during cultivation.	The expected return on assets should be obtained.	I will take action to prepare herbal garden in the future.

(c) Failure to achieve expected outcome

Audit Observation	Recommendation	Comment by the Accounting Officer
Fifteen shops and five houses in the supermarket have been closed, and had not been generated revenue.	The Sabah must use its assets for generate income.	Two houses were sealed and tenders were bid but no buyer came forward. I report that 3 stalls have been provided at the buyer's request.

(d) Solid Waste Management

Audit Observation	Recommendation	Comment by the Accounting Officer
About 8 tonnes of garbage collected per day at the Municipal Council is dumped in the garbage disposal center. 664,090 had to be recovered. The non-decaying garbage center was burned to the detriment of the environment.	Arrears should be recovered and non-decaying garbage should be disposed of properly.	Institute of Bios stems will be re-commenced with the agreement to recover arrears.

(e) Sustainable Development Goals

Audit Observation

Recommendation

Comment by
the Accounting Officer

The Council did not identify the Sustainable Development Goals targets and the indicators for achieving and measuring progress.

The Sustainable Development Goals should be identified and achieved.

It will be take action in the future.

3.2 Management Inefficiencies

Audit Observation

Recommendation

Comment by
the Accounting Officer

(a) Four stalls in the supermarket were sold for Rs.6, 750,000.

Decisions should to be taken in relation to leasing of stalls.

Municipal Council cannot control the leasing of shops. It will be identify and legalize the intermediary.

(b) There were nine shops closed in the supermarket and a rent of Rs.458, 355 had to be paid. Six stalls were sealed, which resulted in a loss of revenue to the council.

The shops in the malls must be open and the receivables should be recovered.

Although sealed stalls were tendered on two occasions, I am informed that no buyer came forward.

(c) The lack of city-owned housing 2 despite agreements in 2010 without the tax payment of Rs 2,200,000 simultaneously charge a 2016 August seal was placed on re- lease had been taken.

Action should be taken to generate revenue by awarding tenders.

A tender in my work done and the buyer no I did not report that.

3.3 Human Resource Management

Audit Observation	Recommendation	Comment by the Accounting Officer
-----	-----	-----
(a) There were one employee excess and 16 vacancies.	Of drawing out the vacancies to get flies unearth the ICRC should be.	I will recruit employees.
(b) No action has been taken to recover the loans of 3385,879 persons who had left the post of 33 Transfers and Retired Officers	Action should be taken to recover employee loans.	I will take action to correct it in the future.

3.4 Operational inefficiencies

Audit Observation	Recommendation	Comment by the Accounting Officer
-----	-----	-----
(a) Shopping stalls in assessing the non-implementation methodology of Rs .12,360,940 of rental income had charged.	The new valuation has to be implemented and recovered.	The new assessment has raised objections from shopkeepers. The Department of Valuation has been asked to revise the rent.
(b) Tender procedure and Council Ordinance Act provisions despite long leased Theater Mini shopping 173 of ū the agreement in accordance with section 05 guarantee , once payment in cash of Rs 500,000 was not charged, and the new assessment due to	Rent should be charged by implementing the lump sum payment and the new appraisal.	Mini taxes Theater of drawing to schedule writing checks confirmed that Rs 500,000 were not paid. We have been notified but have not been paid. I will take further action as per the instructions of the Legal Division.

failure to implement Rs. 120,000 was also lost.

(c) Assessments had been charged up to the year 2018 based on the assessment assessment of 2008.

Income should be assessed periodically and assessed.

I will report that the assessment documents are updated and action will be taken to obtain the assessment.

3.5 Procurement

Procurement Plan

Audit Observation

Procurement had not been prepared.

Recommendation

A procurement plan should be prepared.

Comment by
the Accounting Officer

A procurement plan has been prepared from 2019.

4. Accountability and good governance

Management Budgetary control

Audit Observation

(a) 3,941,100 had been allocated for 32 subjects and the entire provision had been saved at no cost.

Recommendation

A realistic budget should be prepared.

Comment by
the Accounting Officer

I accept

(b) No income was generated from the estimated income of Rs .510,000.

A realistic budget should be prepared.

I accept