

Nuwara Eliya Pradeshiya Sabha
Nuwara Eliya District

1. Financial Statements

1.1 Presentation of The Financial Statements

The financial statements of the year 2019 had been presented to the audit on the 28th of February 2020 and the summary report of the Auditor General was sent to the chairman on 21st of May 2020 and the detailed management report sent on 19th of June 2020.

1.2 The Qualified Opinion

I am in an opinion that, except the effect on the financial statements of the matters referred under the paragraph 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 Nuwara Eliya Pradeshiya Sabha as at 31st of December 2019 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	Accounting Officer's Commentary
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(i) Although the fixed asset account balance should be the same as the income contribution account balance to the capital application, there was a difference of Rs.21,742 between those account balances.	Accounts need to be compared and corrected.	No comments.
(ii) Although Rs. 75,000 had been credited to the creditors' account under the Capital Assets Repair and Maintenance Expenditure as on 31 st of December of the year under review, the expenditure for the year was less than that value as the due account had not been credited and it was not clear how the accounts were balanced.	Should be properly accounted.	No comments.
(iii) Although Rs. 22,000 had been credited to the creditors' account due to the telephone charges due on 31 st of December of the year under review, Rs. 75,000 had been further debited as Rs. 97,000 for the relevant expenditure.	Should be properly accounted	No comments.

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| (iv) | Although Journal Notes No. 19 recorded that Rs.19,292 was debited to Expenditure on Supplies and Equipment account and credited to the Store Creditor account, it was not clear how the accounts were balanced as it was not debited to the Expenditure on Account 103. | Should be properly accounted | No comments. |
| (v) | Although Journal Notes No. 20 have recorded Rs.1,066,694 in stock and debit accounts for the year and credited to the relevant stock account and only Rs.409,858 had been debited to the Expenditure Account and Rs. 1,066,694 had been credited to the relevant wholesale accounts. Accordingly, the expenditure for the year was reduced by Rs. 656,836 and the balance of the accounts was not explained. | Accounting should be done correctly. | No comments. |
| (vi) | Stamp duty Rs. 188,469 and Nation Building Tax Rs.120,454 had been credited to the income and expenditure account. Therefore Annual income is Rs.308,923 more and deposits less than that amount are shown in the financial statements. | Accounting should be done correctly. | No comments. |
| (vii) | As the pension gratuity expenditure of the second program was not accounted for in the Income Expenditure Account of Rs. 31,049 the expenditure for the year is less than that value in the financial statements. | Accounting should be done correctly. | No comments. |
| (viii) | At the end of the year under review, the trade license fee arrears of Rs. 135,200 had not been accounted | Accounting should be done correctly. | No comments. |
| (ix) | The value of the tractor trailer owned by the sabha was not taken into account. | Accounting should be done correctly. | No comments. |

(B) Un-reconciled control accounts

----- Audit observation -----	----- Recommendation -----	----- Accounting Officer's Commentary -----
There was a difference of Rs. 4,906,650 between the value of 03 account balances and the utility documents related to those account balances of the financial statement 31 st of December year under review.	Action should be taken to correct after identify the difference.	No comments.

(C) Lack of written evidence required for the audit

Audit observation -----	Recommendation -----	Accounting Officer's Commentary -----
Four accounting items valued at Rs.122,714,198 could not be satisfactorily examined during the audit due to non-submission of relevant written evidence.	Actions should be taken to present evidence to substantiate the value.	No comments.

1.4 Non-compliance

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

References to rules and regulations and management decisions -----	Non-compliance -----	Recommendation -----	Accounting Officer's Commentary -----
(a) Section 16 (2) of the National Audit Act No. 19 of 2018	The performance report of the sabha had not been presented.	Taking actions to present the performance report.	No comments.
(b) Financial regulations of democratic socialist republic of Sri Lanka FR 189 and 486	The value of the Rs. 100,800 cheque dated 02 nd of June 2014 had not been recovered.	Actions should be taken to collect cash for return cheque value.	Letters have been sent to the relevant agencies in this regard and actions has been taken to lodge a complaint with the Nuwara Eliya Financial Crimes Division.
(c) Pradeshiya Sabha Rules (Finance & Administration) Rule 218	No survey had been made of the lands and buildings owned by the check.	Financial rules must be followed.	No comments

(d) Circulars of the Commissioner of Local Government

- (i) Circular No. 1988/22 dated 17th of May 1988 Property valuation for assessment taxes was last done in 2009. Follow the instructions in the circular. Requests have been made from the Valuation Department for a new assessment.
- (iii) Circular No. CP / CLG / 2016/3 dated 17th of March 2017 For 19 shops in the sabha, rent was being collected on the assessment made by the Revenue Inspector in the year 2014. Follow the instructions in the circular. Requests have been made from the Valuation Department for a new assessment.

2. Financial Review

2.1 Financial Results

According to the financial statements presented for the year ended 31st of December 2019, excess of revenue over recurrent expenditure of the sabha amounted to Rs.3,804,200 as compared with corresponding excess of revenue over recurrent expenditure for the preceding nine months from April to 31st of December amounted to Rs.1,308,425.

2.2 Revenue Administration

(A) Estimated Income, Billed Income, collected Income and Deficit Income

The information on the estimated revenue, billing income, accumulated income and arrears submitted for the year under review and for the nine months of the previous year as follows.

Source of income	2019				2018			
	Estimated income	billed income	Income collected	Total deficit as of December 31st	Estimated income	billed income	Income collected	Total deficit as of December 31st
	Rs .	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assessment and Taxes	2,120,380	3,856,423	4,249,346	2,520,467	Estimates had not been prepared.	1,857,520	765,847	2,838,865
Rent	8,391,810	4,916,238	5,182,790	204,713		3,413,344	3,309,827	462,940
License fee	5,226,000	3,689,100	3,689,100	-		4,128,251	4,128,251	-
Other Income	11,873,950	2,719,834	41,980,029	3,610		1,763,194	1,496,608	680,679
total	27,612,140	15,181,595	55,101,265	2,728,790		11,162,309	9,700,533	3,982,484

2.2.1 Performance of revenue collection

Audit observation	Recommendation	Accounting Officer's Commentary
The progress of collecting assessment taxes, shop rent and water charges during the year was unsatisfactory.	Actions should be taken to recover all the arrears.	A large sum of money in arrears currently charged.

2. 2. 3 Court fines and stamp fees

Audit observation	Recommendation	Accounting Officer's Commentary
A receivable amount of Rs. 2,410,587 court fines and an amount Rs.1,506,000 stamps duty as at 31 st of December of the year under review had not been collected.	Taking actions to collect the relevant revenue.	No comments.

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 3 of the pradeshiya sabha act.

(A) Sustainable Development Goals

Audit observation	Recommendation	Accounting Officer's Commentary
While the Pradeshiya Sabha had not adequately aware about Sustainable development objectives and targets and the specific tasks in this regard had not done in the year under review.	Planning to achieve sustainable development objectives and targets.	No comments.

(B) Solid Waste Management.

Audit observation

Locals and businessmen in the area had dumped garbage on the lower slope of the road near Kandapola town on the Nuwara Eliya-Udupussellawa main road, it is creating a stench around the environment.

Recommendation

Efforts should be made to manage solid waste in a manner that does not harm the environment

Accounting Officer's
Commentary

Measures have been taken to inform the Nuwara Eliya and Kandapola Police Stations in this regard.

3.2 Human Resource Management

Audit observation

34 vacancies in 14 posts had not been filled.

Recommendation

Actions should be taken to fill the vacancies.

Accounting Officer's
Commentary

The Department of Local Government has been requested to fill the vacancies in 10 institutional posts and for the remaining 24 vacancies the recruitment has to be done by the Public Service Commission.

3.3 Operating inefficiencies

Audit observation

During the period from May 2018 to October 2019, Rs. 2,730,000 had been paid for the vehicle rented on the basis of Rs. 5000 per day. While that the rental for the month was spent Rs. 150,000 It would be more profitable to buy a vehicle under the lease system by paying that amount in monthly installments which is not focused.

Recommendation

The Ministry should take action to bring the agreed vehicle.

Accounting Officer's
Commentary

As there was no official vehicle for the Chairman, the vehicle rent was paid as per the decision of the General Assembly and no action was taken to obtain a vehicle from the Council Fund as per the written notification given by the Ministry of Local Government.

3.4 Procurement

Contract Administration

	Audit observation -----	Recommendation -----	Accounting Officer's Commentary -----
(A)	Although paid the sum of rs. 138,240 to transport and remove soil during the construction of Kandapola Concordia playground, which was implemented with council funds in the year 2018 but the soil had not been transported	Actions should be taken to charge extra.	According to the instructions of the Chairman, the bill has been prepared so that the money allocated for transportation can be reimbursed.
(B)	Although Construction of a security fence around the Kandapola section volleyball stadium fencing and lighting facilities under the provisions of the Ministry of Upcountry New Villages, Infrastructure and Community Development 2018 The safety net was to be 5 m high but the safety fence was 27m long is 2.5m high and 31m long is 3.5m high.	Construction should be done to the required standard.	The contractor has been informed on several occasions to construct the fence to the required size and I will take action to construct it within 14 days as per the value mentioned in the above work bill.
(C) (i)	According to the approved rates (BSR) for the construction of buildings in the Central Province for the year 2019, the total cost will be less than the rates for contracts up to Rs. 03 million and for contracts exceeding Rs.03 million. The sabha Fund had incurred a loss of Rs. 350,138 as the repair industry was divided into four sections of less than Rs. 03 million contract of repairing the Nanuoya Sabha Building.	Care should be taken to avoid such shortcomings in future construction work.	Construction has been done as parts in required.
(ii)	The Society, which had entered into an agreement with the sabha to execute the contract, had subcontracted to another contractor.	Actions must be taken to ensure compliance with the agreement.	No comments.

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| (D) (i) | Rs. 328,282 had been paid for plastering the walls, plastering the floor and plastering under Plot No. 7 of Phase II of the Ruwan Eliya Community Hall Building Construction Industry under Phase 03 and Rs. 345,484 had been repaid for the above task. | Action should be taken to recover the overpaid amount. | No comments. |
| (ii) | It was estimated that a 75 mm thick layer of concrete was to be applied to the floor, but a 50 mm thick layer of concrete was applied and the floor exploded due to the lack of expansion joints. | According to the estimate, actions should be taken to get the industry up to the required standards. | No comments. |

3.5 Visual disorders

----- Audit observation -----	Recommendation -----	Accounting Officer's Commentary -----
(A) The Council Fund had incurred a loss of Rs. 1,351,000 due to rejected the highest bids were offered in the tender for the Nanu Oya beef stall for the year 2019 contrary to the procurement principles.	An investigation should be carried out into the relevant loss and appropriate action should be taken.	No comments.
(B) Under the Gamperaliya program, the High Poswood Road constructed by the Nuwara Eliya Divisional Secretariat, a file was fraudulently prepared for and a misappropriation of Rs. 1,481,349 had been paid from sabha fund With the intervention of a people's representative representing the area, the council officials were also misled. Although the relevant amount was later recovered, the responsible persons had not been identified and necessary steps had not been taken.	Actions should be taken to inquire and report on necessary legal action.	The relevant amount has been paid by the Chairman to the Council Fund.