

Nuwara Eliya Municipal Council
Nuwara Eliya 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 of March 2019 and the summary report of the Auditor General was sent to the Mayor on 19 May 2019 and the detailed management report sent on 29 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 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 Municipal 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 -----	Accounting Officer's Commentary -----
(i) Actions had not been taken to accounts acquisition by identifying billing and arearsed assessment tax regarding the property that removed since new limits determined.	Actions should be taken for accurate accounting.	It has been informed that it will be corrected in future.
(ii) The Sabha had not taken action to accounting a balance of Rs.1, 684,569 of collecting account which maintained at the people's Bank at Nuwra Eliya as at 31 December 2018.	Actions should be taken for accurate accounting.	It has been informed that it will be corrected in future.
(iii) Although the land tax amount of Rs. 3,855,516 of the year under review had accounted as Rs. 6,435,613.	Actions should be taken for accurate accounting.	It has been informed that it will be corrected in future.

(iv)	Although a Sum of Rs.4,533,856 which is allowable for the payment of VAT in the year under review should be credited to the relevant Head of Expenditure, it had credited that amount to a revenue head.	Actions should be taken for accurate accounting.	It has been informed that it will be corrected in future.
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(b) Un- Reconciled Accounts

----- Audit observation -----	----- Recommendation -----	----- Accounting Officer's Commentary -----
It had been observed a difference of Rs.1,714,676 when comparing The value of the 06 account balances shown in the financial statements prepared with the supporting documents relating to those balances.	Compare the changes in the relevant balances and correct the accounts.	It has been informed that it will be corrected in future.

(c) Lack of written evidence required for the audit

Failure to submit information to the Audit

Approval for cutting off the industrial debtor balance of Rs. 128,428,098 had not been presented to the audit.

1.4 Accounts Receivable and Accounts Payable

(A) Accounts Receivable

----- Audit observation -----	----- Recommendation -----	----- Accounting Officer's Commentary -----
A receivable amount of Rs.4,518,252 which had elapsed of a time difference between 02 to 04 years on 31 December in the year under review had not been recovered.	Be to recover the balance of work and if there any false balance taking actions to settlement.	It has been informed that it will be corrected in future.

(B) Accounts Payable

Audit observation	Recommendation	Accounting Officer's Commentary
A payable amount of Rs.20, 894,764 which had elapsed 01 year on 31 December in the year under review had not been recovered.	Settlement of outstanding balances.	It has been informed that it will be corrected in future.

1.5 Non-compliance

1.5.1 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 187 of the Municipal Council Ordinance	An amount of Rs.40,783,333 had been invested on a fixed deposit of a private commercial bank as at 31 December of the year under review contravenes to the section 187 of the ordinance.	Compliance with the provisions of the Municipal Councils Ordinance to.	It has been informed that it will be corrected in the future.
(b) National Environmental (Protection & Quality) that had Published in the Extraordinary Gazette No. 1534/18 dated 1st February 2008	A license must be obtained from the Central Environmental Authority for waste management; such a license had not been obtained for the Council's Solid Waste Management Center until 19 April 2019.	Act according to the order of	It has been informed that it will be corrected in the future.
(c) Sections 1.6 and 4 of Chapter XXIV of the Establishments Code of the Democratic	Actions had not been taken to recover loan and advance amount of Rs.1, 512,934 which should to be received from the 68employees who hadTransferred temporarily	Recovery of loans and advances as per conditions on E- Code to.	It has been informed that it will be corrected in the future.

Socialist Republic of Sri Lanka	to serve the congregation, retired and deceased, who left the service and was suspended officers / employees and had elapsed more than one year.		
(d) Financial Regulations 371 (2) of the Democratic Socialist Republic of Sri Lanka, Public Finance Circular No. 03/2015 of 14 July 2015.	Although it should be settled the interim impress when after completing the relevant task, an amount of Rs.1,641,945 which had given at 14 times in the time period of the year 2014 to2017 for various tasks and had elapsed time difference from 06 months to 58 months had not been settled.	Should be settled relevant Financial Interim in accordance with, Financial Regulations, Financial Circulars and Financial Rules.	It has been informed that it will be corrected in the future.
	Although it could be given the interim impress only for the staff officers, an amount of Rs.437, 750 had been paid to non-staff officers on 9 occasions.	Taking actions as per the relevant laws.	It has been informed that it will be corrected in the future.
	The maximum amount that could be given as a one-off imperative was Rs. 100,000 but it had paid an amount of Rs.596, 500 in two instances by exceeding that limit.	Impress should be given within the relevant limits.	It has been informed that it will be corrected in the future.
(e) 189 and 486 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	The value of Rs.178,916 for 07 cheques which had returned after receiving as income to the Sabha within the time period of 2014-2017 at 07 times had not been recovered by taking actions as per the financial Regulations.	Action should be taken in accordance with the financial regulations and the value of the checks should be recovered.	It has been informed that it will be corrected in the future.

(f)	Financial Regulations 571 (3)	An amount of Rs.8, 738,452 worth of deposits exceeding the period of two years to 11 years had not been complied with in the Financial Regulations.	Taking actions as per the Financial Regulation regarding the deposits that had expired.	It has been informed that it will be corrected in the future.
(g)	Public Administration Circular No. 30/2016 dated 29.12.2016	A fuel combustion test had not been carried out of the 42 vehicles belongs to the Sabha After the year 2017.	The combustion test should be carried out within relevant time period.	It has been informed that it will be corrected in the future.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2018 amounted to Rs.118,906,163as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.107,228,622.

2.2 Revenue Administration

2.2.1 Estimated Income, Billed Income, collected Income and arrears Income

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

source of income	2018				2017			
	estimated income	billed income	collected Income	total arrears as at 31 December	estimated income	billed income	collected Income	total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Lease rates and tax	99,068,258	86,939,615	84,830,288	94,065,436	82,248,792	86,961,780	82,637,247	93,255,272
Rent	91,634,275	55,030,277	53,153,903	43,300,208	83,038,586	48,619,605	47,505,781	40,637,959
License fee	23,572,000	20,787,120	19,900,958	1,421,860	22,712,000	22,350,622	22,204,028	1,424,360
other	169,848,000	126,584,810	134,978,554	40,306,647	157,353,000	157,989,575	144,979,163	194,695,830
	<u>384,122,533</u>	<u>289,341,822</u>	<u>292,863,703</u>	<u>179,094,151</u>	<u>345,352,378</u>	<u>315,921,582</u>	<u>297,326,219</u>	<u>330,013,421</u>

2.2.2 Performance of revenue collection

Assessment tax

Audit observation

while the collection of the year was amounting to Rs.18,560,026 from the arrears amount of Rs.63,667,301 at the beginning of the year as a lower range of 29% and the billed amount was Rs. 42,102,008 including the penalty of the year under review and an amount of Rs.27,948,458 that is 66 percent had been collected thereof.

Recommendation

The revenue should be collected in accordance with the Municipal Council Ordinance.

Accounting Officer's Commentary

That it will be corrected in future.

2. 2. 3 Court fines and stamp fees

Audit observation -----	Recommendation -----	Accounting Officer's Commentary -----
A receivable amount of Rs. 978,326 court fines and an amount of Rs. 38,088,328 stamp duty as at 31 December of the year under review had not been collected.	Taking action to collect the relevant money.	It has been informed that it will be corrected in the future.

3 Operational review

3.1 Performance

Following are the observations on the performance of the functions of the Council under the provisions of Section 4 of the of the Municipal Ordinance, the regulation and control of public health, public utility services and public roads, the welfare, convenience and welfare of the public.

(a) By-laws

Audit observation -----	Recommendation -----	Accounting Officer's Commentary -----
(i) The attention had not paid for generate revenue by enacting bylaws from Gregory Lake Park amusement tax matters, holding carnival programs in springtime, programs of promotions, horses ponies animals Recreation Full for use, motor vehicle stop shooting stations set etc according to the section 267(1) of Municipal Council Ordinance.	Actions should be taken to generate the income by enforcing the bylaws after identifying the revenue generated opportunities.	That it will be corrected in future.
(ii) Adverse conditions had caused such as failure to regulate the city, issue of transparency to good governance, legal obstacles when making immediate decision to prevent people pressure because the actions had not taking to enact the bylaws in relevant occasions according to	Actions should be taken too enacted by laws according to the provisions of Municipal Council Ordinance.	That it will be corrected in future.

the section 272 of Municipal Council Ordinance.

(B) 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.	Identify and achieve sustainable development objectives and targets.	It has been informed that it will be corrected in the future.

3.2 Management Inefficiencies

Audit observation	Recommendation	Accounting Officer's Commentary
(a) The 16 stalls at the new market complex at Udupussellawa Road, owned by the council, have been leased for a 30-year period from 2014 and lease agreements had not been reached with two leasees. although the taxpayer has agreed to pay the monthly tax amount assessed by the Department of Valuation in accordance with the relevant lease agreements, an amount of Rs.1,680,000 had been lost hence the monthly tax assessed as per the assessment report dated 23 June 2016 had not recovered until the end of the year under review.	Actions should be taken to collect the revenue that to be received for the council's fund according to the relevant lease agreements.	That it will be corrected in future.
(b) receivable rent amount of Rs.223,761 regarding the time period from May 2016 to December 2018 had not	The rental should be charged according to the provisions of Establishment Code.	That it will be corrected in future.

been collected from a officer who deployed in the council and from another officer who had transferred by employing behalf of rented the scheduled house according to the sub section 5 of the Chapter XIX of the Establishment Code.

- (c) while a land with quarry which had the area about one acre situated in Bmbarakale and owned to the Council had been leased out to a person for the period from 02 December 2008 to 01 December 2013, and although it had passed a period of 05 years, it had not been taken to action to renew the agreement by charging or assign the land to the Council. there was contuning the business activities by building up the permnant constructions by the people who leased out the land by violating the previous agreements.

Taking actions to assign to the sabha again or collect the revenue by renewing the agreements.

That it will be corrected in future.

3.3 Human Resource Management

Audit observation	Recommendation	Accounting Officer's Commentary
(a) As of 31 December of the year under review, there were 150 vacancies in 34 positions of the council and it had not been fulfilled.	Fulfil the vacancies.	It has been informed that it will be corrected in the future.
(b) Although there were 60 vacancies in the post casual / substitute of workers, Rs.37,726,972 had been paid by appointing 104 employees.	Should be obtained optimal management of human resources in order.	It has been informed that it will be corrected in the future.

3.4 Operational inefficiencies

Audit observation	Recommendation	Accounting Officer's Commentary
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(a) Although the Gazette no. 2049 of the Democratic Socialist Republic of Sri Lanka of dated 08.12.2017 stated that 25 % of the value of the tickets will be levied on all film shows for the year 2018, entertainment tax revenue of Rs.1,425,308 had been lost to the council fund because only 10 % of the value of the tickets had levied.	Recovery of entertainment tax as prescribed.	That it will be corrected in the future.
(b) The assessment tax property in the area of authority of the Council had not been valued after 2007.	Actions should be taken in accordance with circular no.1988/22 of Local Government Commissioner date on 17 May 1988.	That it will be corrected in the future.

3.5 Assets Management

3.5.1 Idle assets

Audit observation	Recommendation	Accounting Officer's Commentary
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The 06 vehicles of the council had been remained idle within a time period from 01 to 05 years.	Actions should be taken to utilize by repairing or to disposal.	That it will be corrected in the future.