

**Nawalapitiya Urban Council**  
**Kandy District**

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**1. Financial Statements**

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**1.1 Presentation of the Financial Statements**

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The financial statements of the year 2019 were submitted for audit on 06 April 2020 and the Summary report Auditor General on those financial statements has been forwarded to the Chairman on 26th May 2020 and the detailed management audit report on 30 May 2020.

**1.2 Qualified Opinion**

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In my opinion, except for the effect matters described in the basis for the qualified opinion section of this report, Financial statements give a true and fair view of financial position of the Nawalapitiya Urban Council as at 31st December 2019 and its financial performance for the year then ended, in accordance with Generally Accepted Accounting Principles.

**1.3 The Basis for the Qualified Opinion**

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(a) Accounting Deficiencies

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Audit Observation	Recommendation	Comment of the Accounting Officer
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(i) Items worth Rs.1,830,323 which could not be utilized had been removed from the accounts without auction or misappropriation.	It should be accounted correctly.	It has been reported that the auction will not be held due to COVID 19.
(ii) The outstanding lease rental income for the year under review had been under accounted by Rs.185,188.	It should be accounted correctly.	It was informed that the Schedule was corrected .
(iii) The key money amount of Rs.3,100,000 due from the lease of shops owned by the sabha had not been accounted.	It should be accounted correctly.	Comments had not been given.
(iv) 22 general deposit balances worth of Rs. 920,000 had not been accounted.	It should be accounted correctly.	It may correct when making accounts in 2020.

- (v) 13 development proposals worth Rs.6,378,668 had not been accounted for as creditors. It should be accounted correctly. As it has been an issue since 2010, the sabha has inform that it will be taken into account according to the action taken.

(b) Non-reconciled Accounts

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Audit Observation	Recommendation	Comment of the Accounting Officer
----- There was a difference of Rs.1,514,695 between the balances of three account balances in the financial statements which amounted to Rs.4,777,867 and the balances of supporting documents.	----- It should be corrected the accounts by comparing changes in relevant balances.	----- I inform that corrective action will take in the future.

(c) Accounts Receivable and Payable

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Audit Observation	Recommendation	Comment of the Accounting Officer
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(i) The total balance of accounts receivable over a period of 1-5 years was Rs.2,785,018 and the account balance over a period of 5 years was Rs.5,632,723.	Due balance should be recovered.	I informed that action will take to recover.
(ii) The total balance of accounts payable for more than one year was Rs.2,262,629 and the balance for over 5 years was Rs.11,845,252.	Due balance should be settled.	I informed that the dues will be paid in future.

(d) Lack of Written Evidence Required for Audit

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Audit Observation	Recommendation	Comment of the Accounting Officer
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Due to non-submission for audit of confirmations and schedules for six account subjects valued at Rs.4,116,325, they could not verify satisfactorily during the audit.	Presenting evidence confirming the balance sheet in the financial statements.	It has informed that action will be taken to present evidence.

## 1.4 Non-compliance

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

Refer to laws, rules, regulations, and management decisions	Non-compliance	Recommendation	Comment of the Accounting Officer
(a) Urban Council Ordinance Section 36 (e) Paragraph II	<p>(i) The shop at the entrance to the Jayatilake Stadium was leased for a rent of Rs.2,047 per month without the approval of the Minister in charge of the subject and without appraisal.</p> <p>(ii) A portion of land had been leased out to a Co-operative Society to run a dairy and a charge of Rs.1,200 without the approval and assessment of the Minister in charge of the subject.</p> <p>(iii) 0.61 perches of land in Plan No.1772 on Dolosbage Road had been leased out without the approval of the Minister in charge of the subject.</p>	<p>Action should be taken to assess, lease or take possession with the approval of the Minister in charge of the subject.</p> <p>Action should be taken to assess, lease or take possession with the approval of the Minister in charge of the subject.</p> <p>Approval should be obtained, assessed and tax should be levied.</p>	<p>I will like to inform you that I will get a new valuation for the shop and charge rental a plot of land for additional use</p> <p>Leased subject to the approval of the Minister of Local Government, Decision No. 5:28 of the Sabha dated 21st August 2006.</p> <p>I would like to inform that action will be taken to obtain the approval of the Minister in charge of the subject.</p>
(b) National Audit Act No.19 of 2018 Section 16 (2)	A performance report had not been submitted along with the financial statements.	Action should be taken to submit the performance report.	I will let you know that it will be presented next year.

(c) Circular of the Commissioner of Local Government No. 2016/03 dated 17 March 2016

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| (i) Section 5 (I)  | Room rents in five church-owned shopping complexes had not been assessed.   | The estimated rent should be revised every 5 years.                                | Assessment requested but not received. I will like to inform you that the assessment for the Kotmale shop has been received. |
| (ii) Section one (v)   | No action had been taken to collect a lump sum of Rs.1,813,799 as per the circular.   | Simultaneous charging should be done in accordance with the circular instructions. | I inform you that the necessary work is being done.  |
| (d) Democratic Socialist Republic of Sri Lanka's Procurement Manual Section 2: 14: 1 | Rs.940,603 was paid for the installation of a database in the public library without a call for bids and a technical committee report, for the purchase of chemicals for the swimming pool at the Jayatilake Stadium, the purchase of sports equipment, office IDs and the purchase of a water motor. | Purchases should be made in accordance with the Procurement Guidelines.            | I agree. I would like to inform you that in the future we will act in accordance with the Procurement Guidelines.            |

**2. Financial Review**  
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**2.1 Financial - Results**  
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According to the financial statement presented, excess of revenue over recurrent expenditure of the Council for the year ended 31st December 2019 amounted to Rs.31,259,441 as compared with the corresponding amount in excess of revenue over recurrent expenditure for the preceding year amounted to Rs.44,664,940.

**2.2 Financial Control**  
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Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
No action had taken to settle the advance of Rs.146,532 given on 4 occasions.	Act in accordance with Financial Regulations instructions.	It has informed that action taken to send reminders for this and to settle the pension.

## 2.3 Revenue Administration

### 2.3.1 Estimated Revenue, Billed Revenue, Collected Revenue and Deficit Revenue

The details of Estimated Revenue, Billed Revenue, Collected Revenue and Revenue in for Reviewed year and preceding year are as follows.

Source of Revenue	2019				2018			
	Estimated Revenues	Billed Revenue	Collected Revenue	Total Deficit Estimated as at 31 December	Source of Revenue	Estimated Revenues	Billed Revenue	Total Deficit Estimated as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and taxes	13,086,686	13,086,686	9,036,774	12,347,496	14,313,751	13,101,409	10,232,626	10,101,074
(ii) Rent	35,040,592	39,949,696	18,933,388	39,153,497	23,607,529	6,895,236	5,697,443	2,268,196
(iii) License Fees	1,520,000	1,423,260	1,373,655	49,605	1,960,000	1,550,889	1,564,889	)14,000(
(iv) Other Income	7,806,000	5,577,516	2,309,518	6,642,592	14,227,280	30,274,978	13,855,845	19,545,294
	<u>57,453,278</u>	<u>60,037,158</u>	<u>31,653,335</u>	<u>58,193,190</u>	<u>54,108,560</u>	<u>51,822,512</u>	<u>31,350,803</u>	<u>31,900,564</u>

### 2.3.2 Rates and Taxes

#### Audit Observation

The outstanding rates tax balance due from 11 government institutions was amounting to Rs.5,979,070.

#### Recommendation

Should be charged.

#### Comment of the Accounting Officer

It has been informed that action will be taken to recover this amount.

### 2.3.3 Rent

#### Audit Observation

No action had been taken to collect rent of Rs.33,026,495 from six shopping complexes owned by the council.

#### Recommendation

Assessed rent should be charged.

#### Comment of the Accounting Officer

I informed that it will take necessary action to recover the rent.

**2.3.4 Other Income**

----- Audit Observation -----	----- Recommendation -----	----- Comment of the Accounting Officer -----
(a) A sum of Rs.2,568,399 had not been charged from the three-wheeler parking lots in the Council area.	Should be done to recover the arrears money.	It has been informed that action will be taken after doing the investigation to recover this money.
(b) A sum of Rs.1,564,540 had not been recovered from two institutions for selling fertilizer at Garbage Centre.	Recovery should be expedited.	It has been informed that action will be taken to recover this money.

**2.3.5 Court Fines and Stamp Duty**

----- Audit Observation -----	----- Recommendation -----	----- Comment of the Accounting Officer -----
The court fines due was amounting to Rs.246,500 and the stamp duty was amounting to Rs.2,951,800.	Taking action to bring the relevant money to the council.	Informed that are being charged.

**3. Operational Review**

**3.1 Performance**

Following are the findings of Section 4 of the Urban Councils Ordinance on the regulation and control of matters relating to public health, public utility services and public roads, and the performance of the functions of the Council in the welfare, convenience and welfare of the people.

(a) By-Laws

----- Audit Observation -----	----- Recommendation -----	----- Comment of the Accounting Officer -----
Under Section 157 of the Urban Council Ordinance, by-laws had to be enacted to fulfill 15 main matters but by-laws had been imposed only for 5 matters.	Taking action to generate revenue by enacting by-laws which can generate revenue for the sabha.	It is reported that 7 out of 10 by-laws have been referred to the Department of Local Government Department for review.

(b) Failure to Provide Provisions

Audit Observation	Recommendation	Comment of the Accounting Officer
According to the annual action plan prepared by the sabha, the tasks could not be performed due to non-allocation of funds in the annual budget for 07 tasks which were to be performed by the council.	It should be allocated funds by the budget to implement the action plan.	Informed that will be inspected and reported.

(c) Sustainable Development Goals

Audit Observation	Recommendation	Comment of the Accounting Officer
Sustainable development a goals have not been adequately identified and, therefore, have not played an adequate role in this regard.	Identify the Sustainable Development Goals and action should be taken to achieve them.	It has been informed that action will be taken in the future.

**3.2 Management Inefficiencies**

Audit Observation	Recommendation	Comment of the Accounting Officer
From the IDH land of 18 acres 02 rude size of the council, 10 acres 03 rude 17.55 perches of land had not been provided in accordance with section 36 (e) II of the Urban Council Act had been given for cultivation and 100 families Houses have been built and settled around. Although this land was assessed in 1997, it was not until December 13, 2019 that the Monetary Council had taken action to recover 97 plots of land and allowed unauthorized occupation.	Actions should be taken to Obtaining and assessing the lands owned by the sabha with the approval of the Minister in charge of the subject and taking action to collect taxes.	This is a long-term problem. This land has not been allotted at the time of 1997 assessment. It has been informed that action will be taken to obtain a lower estimate based on the circulars and to charge a fee to the sabha.

### 3.3 Human Resource Management

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) There were 21 excess and 12 vacancies.	Should take action to fill the relevant vacancies.	It has been informed that action will be taken to recruit employees
(b) Action had not been taken to recover a loan of Rs.2,080,998 from 52 transferee and retired officers who left the service.	Should take action to recover employee loans	It has been informed that action will be taken to rectify this in the future.

### 3.4 Operational Inefficiencies

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) The Mini Theatre No. 173 of the Super Market was leased to a person on 23rd August 2011 for a long period of time in accordance with paragraph 36 (e) II of the Urban Council Ordinance without a tender and the security deposit and lump sum payment was Rs.500,000. The monthly rent was Rs.284,256.	Securities, key money, monthly rent and all dues are should be recovered.	I would like to inform you that the Valuation Department has been informed to provide a new assessment for the amount of Rs. 3.7 million paid to the House. I report that the House has a deficit of Rs. 500,000.
(b) The shop rental income of Rs.32,675,828 had not been recovered due to non-implementation of the new assessment of the shops in the supermarket complex.	Action needs to be taken to implement the new assessment.	No comments
(c) Assessments had been levied up to the year 2019 on the assessment for the year 2008.	Rate should be assessed in every 5 year.	It has been informed that action will be taken to obtain the assessment.



### 3.5 Asset Management

#### 3.5.1 Failure to Obtain Income Due from Assets

Audit Observation	Recommendation	Comment of the Accounting Officer
The supermarket 2 shops and 3 houses had closed.	Action should be taken to generate revenue by utilizing the assets of the sabha.	Two houses were sealed and no buyer came forward despite being tendered. It is reported that 3 shops have been provided at the request of the buyers.

#### 3.5.2 Idle / Underutilized Assets

Audit Observation	Recommendation	Comment of the Accounting Officer
The 600-square-foot building at the Nawalapitiya sport Stadium was littered with old items without utilizing.	Should utilize assets.	It is reported that the building will be built on three floors and will be given to a pre-school and a day care centre.

### 3.6 Procurement

#### Procurement Plan

Audit Observation	Recommendation	Comment of the Accounting Officer
The amount of Rs.19,973,949 was procured during the year under review but no procurement plan was submitted for audit.	It should be prepared a procurement plan and work on procurement.	Accepted.