

Nuwara Eliya Municipal Council

Nuwara Eliya District

1. Financial statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented for audit on 14 March 2012 and the financial statements for the previous year had been presented on 14 June 2011. The report of the Auditor General for the year under review was furnished to the Mayor of the Council on 21 September 2012.

1.2 Opinion

In view of my comments and observations appearing in my report forwarded to the Mayor on 21 September 2012, I am unable to express an opinion on the financial statements of the Nuwara Eliya Municipal Council for the year ended 31 December 2011 presented for audit.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following matters were observed.

- (a) Instead of accounting 9 items of fixed assets valued at Rs.36,514,040 under motor vehicles and carts, it had been accounted under machine and machinery. As a result the balance of the Machine and Machinery Account had been overstated and the balance of the Motor Vehicles and Carts had been understated by similar amounts in the financial statements.
- (b) The loan of Rs.30,109,955 granted by the Local Loans and Development Fund for constructing the Multipurpose Social Services Building of the Nuwara Eliya

Municipal Council under the Local Government Infrastructure Facilities Improvement Project had been omitted in the financial statements.

1.3.2 Lack of Evidence for Audit

(a) Non-submission of Information to Audit

Transactions aggregating Rs.177,000 could not be satisfactorily vouched in audit due to non- submission of required information to audit.

(b) Non-submission of Paid vouchers to Audit

Eleven paid vouchers aggregating Rs.464,919 had not been presented to audit up to 29 July 2012.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the revenue exceeding the recurrent expenditure of the Council for the year ended 31 December 2011 was Rs.65,478,234 as compared with the revenue exceeding the recurrent expenditure of the previous year amounting to Rs.61,677,541.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

The information relating to the estimated revenue, actual revenue and the arrears of revenue, as presented by the Mayor is shown below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.`000	Rs.`000	Rs.`000
(i) Rates and Taxes	71,271	101,847	74,431
(ii) Lease Rent	15,209	6,932	37,855
(iii) Licence Fees	9,855	9,855	4,851
(iv) Other Revenue	55,795	44,067	13,746
2.2.2 Court Fines and Stamp Fees			

 The amount due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2011 is shown below.

	Rs.
(i) Court Fines	111,777
(ii) Stamp Fees	12,831,512

2.3 Uneconomic Transactions

The Council had selected a private security services company on a monthly payment of Rs.362,791, excluding Value Added Tax. During the period May to October 2011 a sum of Rs.268,627 had been overpaid to the Company concerned in excess of the limit.

2.4 Irregular Transactions

A sum of Rs.300,000 had been paid to a consultancy firm for a computer training programme without entering into a proper agreement.

2.5 Operating Inefficiencies

The following observations are made.

- (a) A stock of building materials valued at Rs.108,860 had been issued to a private contractor constructing a health stores yard of the Council without obtaining adequate security.

- (c) It was decided at the meeting of the Divisional Heads of Departments held on 11 July 2011 to pay 75% of the collections from cycling allowed to tourists within the Gregory Lake Gardens to the lessor, without calling for competitive quotations and without entering into proper agreements. The amount collected during the year 2011 was Rs.1,280,000 and the amount paid to the lessor was Rs.960,000.
- (d) Action had not been taken to get back mobile phones valued at Rs.115,000 given to 5 members who had not been selected to the new Council at the previous election.
- (e) An agreement had been entered into with the Computer Education Institute of the Colombo University on 02 July 2009 for Rs.2,205,000 to install an electronic system for financing system and utilization of assets of the Council. Quotations forwarded by 4 institutions had not been furnished to audit. An advance of 20% amounting to Rs.441,000 had been paid without obtaining a security bond, contravening the instruction No. 18 of the government Procurement Guidelines No. 08 of 25 January 2006. Quotations had been called for, without analyzing the cost to be incurred while re-installing the computer system at the new building complex of the Municipality which is under construction.

2.6 Performance

An Action Plan had not been prepared for the year under review.

2.7 Internal Audit

An adequate internal audit had not been carried out at the institution.

3. Systems and Controls

Special attention is needed in respect of the following areas of systems and controls.

- (a) Accounting
- (b) Revenue Administration

- (c) Budget
- (d) Control over Vehicles
- (e) Contract Administration