

Nuwara Eliya Municipal Council
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 Mayor on 21st of May 2020 and the detailed management report sent on 18th 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 Municipal Council 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
(i) Rs.707,503 unidentified receipts, Rs. 59,069 of interest on deposit and Rs. 19,508 in bank chargers had not been accounted for in two bank accounts of the council.	Actions should be taken for accurate accounting.	I will work to prepare the accounts correctly in the next year.
(ii) The value of the 160 old photographs and artefacts in the council had not been assessed and accounted or disclosed in the financial statements.	The value should be assessed and action should be taken to keep accurate accounts.	I will accurately assess the value and keep accounts for the next year.
(iii) Capital aid receipts of Rs.32,590,125 were accounted for under recurrent receipts.	Actions should be taken for accurate accounting.	It will be created a Capital receipts header and keep accurate accounts when drafting next year's budget
(iv) A stock of expired western drugs worth Rs. 199,933 was included in the final stock.	Actions should be taken for accurate accounting.	Will be removed the relevant stocks from next year's inventory and keep accurate accounts.

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| (v) | The shop rent arrears as at 31 st of December of the year under review included an unpaid amount of Rs. 14,315,850 billed for 11 shops which have been demolished. | Actions should be taken for accurate accounting. | With the approval of the Hon. Governor, will take actions to keep accurate accounts in the next year. |
| (vi) | The amount of Rs.120,375 received from the sale of capital assets was not stated under capital income. | Actions should be taken for accurate accounting. | Will be taken actions to keep accurate accounts as capital income for the coming year. |

(b) Account Receivable and Account payable

Audit observation	Recommendation	Accounting Officer's Commentary
(i) As at 31 st of December of the year under review, the outstanding advance balance of Rs. 1,359,500 had not been settled over 2 years.	Actions should be taken to recover the receivable balances.	Will be informed the relevant officers and institutions and take action to settle the advance.
(ii) As at 31 st of December of the year under review, the total balance of accounts payable over one year was Rs.20,187,306.	Actions should be taken to settle the payable balances.	Will be taken actions to pay in future.

1.4 Non-compliance

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.51,757,720 had been invested on a fixed deposit of a private commercial bank as at 31 st of December of the year under review.	Compliance with the provisions of the Municipal Councils Ordinance to.	The current balance is Rs.22,800,000
(b) Section no 16(2) of National audit act No 19 of 2018	A performance report had not been submitted.	Annual performance report should be submitted.	Performance report will be presented in the future.

(c) Financial
Regulations of the
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Socialist Republic
of Sri Lanka

(I) 189 and 486	During the period 2014-2017, the value of 07 checks received and returned as revenue by the Council on 07 times had not been recovered to the tune of Rs. 178,916	Should comply in related to financial regulations.	Will be taken actions to recover the return cheques value.
(II) F.R. 571(3)	It had not been released worth of Rs.5,911,275 deposits on 219 times deposited in council over the two year time period.	Should comply with relative financial regulations.	Will be corrected in coming year.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the council for the year ended 31st of December 2019 amounted to Rs.134,594,992 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.118,906,163

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	2019				2018			
	Estimated income	billed income	Income collected	Total arrears as of December 31st	Estimated income	billed income	Income collected	Total arrears as of December 31st
	Rs .	Rs .	Rs .	Rs .	Rs .	Rs .	Rs .	Rs .
Assessment and Taxes	95,692,651	83,604,526	57,163,626	81,606,048	99,068,258	86,939,615	84,830,288	94,065,436
Rent	96,011,675	75,776,178	42,978,483	70,457,361	91,634,275	55,030,277	53,153,903	43,300,208
License fee	24,411,786	18,300,742	16,306,462	2,082,780	23,572,000	20,787,120	19,900,958	1,421,860
Other Income	153,006,000	34,054,053	47,207,614	45,015,662	169,848,000	126,584,810	134,978,554	40,306,647
total	<u>369,122,112</u>	<u>211,735,499</u>	<u>163,656,185</u>	<u>199,161,851</u>	<u>384,122,533</u>	<u>289,341,822</u>	<u>292,863,703</u>	<u>179,094,151</u>

2.2.2 Performance of revenue collection

Audit observation

The total arrears of the income was increased by 11.2 per cent or Rs.20,066,707 year under review.

Recommendation

Should be taken actions to recover the arrears income.

Accounting Officer's
Commentary

Will be taken an action to obtain expected income.

2. 2. 3 Court fines and stamp fees

Audit observation

A receivable amount of Rs.746,395 court fines and an amount of Rs. 33,639,258 stamp duty as at 31st of December of the year under review had to be collected.

Recommendation

Should take actions to collect the relevant income.

Accounting Officer's
Commentary

The sum of the court fine Rs. 402,587 and stamp duty Rs.10,680,860 had been charged.

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

- (i) In terms of Section 267 (1) of the Municipal Councils Ordinance, the council was required to make and amend by-laws necessary for the implementation of the policies and provisions of the Ordinance, but there were 11 instances where by-laws were not enacted.

Recommendation

Actions should be taken to generate the bylaws to increase income by enforcing the after identifying the revenue generated opportunities.

Accounting Officer's
Commentary

Observation is accepted.

(B) Sustainable Development Goals

Audit observation

Recommendation

Accounting Officer's
Commentary

While the municipal council 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.

Should be taken actions to identify and implement the sustainable development goals.

Observation is accepted.

(C) Environmental Licence

Audit observation

Recommendation

Accounting Officer's
Commentary

According to the National Environmental (Safety and Quality) Regulations No. 01 of 2008 issued by the Extraordinary Gazette Notification No. 1534/18 dated 01st of February 2008, a license must be obtained from the Central Environmental Authority for waste management, but for the Pollution Waste Management Centre of the council had not been obtained such license by April 2020.

The actions should be taken to the environmental license.

Observation is accepted.

3.2 Management Inefficiencies

Audit observation

Recommendation

Accounting Officer's
Commentary

(a) The Bambarakele quarry, which covers an area of about an acre belonging to the Municipal Council, was leased to a businessman on 24th of December 2008 for Rs. 26,500 per annum. According to the second sub-clause of the lease agreement, the contract period ends on 24th of December 2012, but the quarry has not been taken back.

Actions should be taken to take over the relevant land and quarry.

Observation is accepted.

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| (b) | According to Section 217 of the Confiscated Lands Ordinance, an annual tax of 4% can be levied on the undeveloped value of the land when leasing it for residential purposes. But As per the decision of the Commissioner dated 25 th of August 2017, various fees ranging from Rs. 1,000 to Rs. 4,000 were levied on lands leased by the Council. | Should be complied with relevant rules. | Observation is accepted. |
| (c) | Due to non-collection of rent from the salary as per the provisions of the Establishments Code, the arrears of rent of Rs. 141,388 were due on 26 th of February 2020 | Actions should be taken to charge relevant arrears rent. | Observation is accepted. |

3.3 Human Resource Management

Audit observation	Recommendation	Accounting Officer's Commentary
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(a) As of 31 st of December of the year under review, there were 121 vacancies in 43 positions of the council and it had not been fulfilled.	Actions should be taken to fill the vacancies.	Observation is accepted.
(b) The Central Provincial Council had not reimbursed Rs. 9,855,156 as salary compensation for 178 employees who had been granted permanent appointments under Council Decision No. 25/2014 dated 12 th of November 2014 for the period January to December 2019.	Should work with the relevant institution to reimburse salaries.	Observation is accepted.
(c) According to Sections 1.6 and 4 of Chapter XXIV of the Establishments Code of the	Debt collection should be done in accordance with the Establishments Code.	Observation is accepted.

Democratic Socialist Republic of Sri Lanka, loans and arrears outstanding over a period of more than one year to 67 officers who have served, transferred, retired and died, suspended or resigned from the House Advance of Rs.2,198,261 had not been charged.

3.4 Operational inefficiencies

Audit observation	Recommendation	Accounting Officer's Commentary
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(a) Certificates of Conformity were not issued for the construction of 21 approved applications related to commercial activities during the period 2014-2017.	Actions should be taken to conduct a survey and issue certificates of conformity.	Observation is accepted.
(b) According to Section 37 (1) (b) of the Municipal Council Ordinance, although all the streets and their sidewalks in the city are owned by the Municipal Council, parking fees at the old Belkada premises were being charged using tickets owned by the Urban Development Authority.	Actions should be taken to correct this situation.	Observation is accepted.
(c) As at 31 st of December of the year under review, the balance of Rs. 10,567,198 in the Urban Development Fund Reserve Account had not been utilized effectively for the development of the city.	These funds should be used for development activities in the city.	Observation is accepted.
(d) The shops were being taxed based on the 2009 assessment,	A new tax assessment should be made and action should be taken to increase the revenue of the council accordingly.	Observation is accepted.

3.5 Controversial Transactions.

Audit observation

Recommendation

Accounting Officer's
Commentary

During the procurement process for the purchase of two tractors with trailers for the Council, the Council Fund incurred a loss of Rs.2,215,000 due to the rejected the qualified bidder on All other eligible bids are subject to and bid of up to five days late .

Actions should be taken to prevent such shortcomings in the future.

Observation is accepted.

3.6 Assets Management

Audit observation

Recommendation

Accounting Officer's
Commentary

Five vehicles worth Rs. 3,157,500 have been taken out of service and kept in ideal for more than 4 years.

The recommendations of the Goods Survey Board should be followed.

Observation is accepted.

3.7 Visual disorders

Audit observation

Recommendation

Accounting Officer's
Commentary

Annual Permit was issued on 07th of September 2017 in accordance with Resolution No. 971 dated 25th of August 2017 considering 3.2 perches government owned land between Udupussellawa Road Reserve and Ela Reserve in front of Gregory's Park, considered as Nuwara Eliya Municipal Council land. Furthermore, the unauthorized construction on this land had not been removed by March 2020.

Actions should be taken to remove the unauthorised construction.

Observation is accepted.

3.8 Procurement

Audit observation -----	Recommendation -----	Accounting Officer's Commentary -----
(a) Although the land proposed for the construction of the Brewery Gemunu Mawatha water treatment plant estimated at Rs. 9.516 million has not been settled, the project could not be started due to non-clearance of the construction site by the Forest Department, although the contract was awarded after calling for bids and selecting bidders. The cost of Rs. 160,712 spent on newspaper advertisements for this procurement was also in ideal.	Procurement guidelines should be followed. Relevant land should be acquired and development activities should be carried out.	Observation is accepted.
(b) The construction of a walkway around the Nuwara Eliya Golf Course is considered to be an urgent task to be done before the Spring Festival 2019. Although it has been decided to call for bids under Package 08 (Package method) and get the work done quickly by getting several contractors the Phases I, II, III and VII had not been completed yet. Also, the opportunity to obtain a competitive bid for the construction had been lost due to the fact that a limited competitive bidding had been done without conducting a national competitive bidding process during the procurement process for this project valued at Rs. 20,288,757.	Should comply with procurement guidelines.	Observation is accepted.
(c) As a matter of urgency and specialty apart from the procurement process, two container toilets purchased for the needs of the April Spring Festival in 2017 for Rs. 2,993,335 remained idle by 2020.	Arrangements should be made to complete the remaining work so that the two container toilets can be utilized.	Observation is accepted.
(d) While repairing the toilet near the boat house in Gregory Lake No. 1 Park, the road sank and was destroyed due to the entry of heavy vehicles into the park's walking lane.	The value of the damage should be recovered from those responsible.	Observation is accepted.