

## **Nuwara Eliya Municipal Council - 2020**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Municipal Council, Nuwara Eliya for the year ended 31 December 2020 comprising the balance sheet as at 31 December 2020 and the income and expenditure account, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 219 of Municipal Council Ordinance (Cap.252) and provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be presented in Parliament appear in this report.

In my opinion, except for the effects of the matters described in the Paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Municipal Council, Nuwara Eliya as at 31 December 2020, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

#### **1.2 Basis for Qualified Opinion**

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My opinion is qualified based on the matters described in Paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

#### **1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Municipal Council's financial reporting process.

As per Sub-section 16 (1) of the National Audit Act No. 19 of 2018, the Municipal Council is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

#### **1.4 Scope of Audit (Auditor's Responsibility in Auditing Financial Statements)**

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My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed identify and assess the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- An understanding of internal control relevant to the audit was obtained in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Municipal Council, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Municipal Council has complied with applicable written law, or other general or special directions issued by the governing body of the Council
- Whether the Municipal Council has performed according to its powers, functions and duties; and

- Whether the resources of the Municipal Council had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## 1.5 Report on Other Legal Requirements

National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

- The financial statements of the Municipal Council are in consistence with that of the previous year as per the requirement of Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018.
- Except for the observation in paragraph 1.6.1 (a) of this report, the recommendations made by me during the previous year are included in the financial statements presented as per the requirement of Section 6(1)(d)(iv) of the National Audit Act No. 19 of 2018.

## 1.6 Audit Observations on the Preparation of Financial Statements

### 1.6.1 Accounting Deficiencies

Audit Observation	Comment of the Council	Recommendation
(a) No action had been taken to rectify deficiencies in 1.2.2 (b), (c) pointed out by my report on the financial statements for the preceding year.	Adjustments will be made as disclosures in future financial statements and action will be taken in accordance with the Board of Survey recommendations for the year under review.	These errors should be identified and corrected in the preparation of financial statements for the ensuing year.
(b) Although Rs. 944,563 had been credited to the Receivable Investment Interest Account as receivable investment interest for the year under review by Journal Entry No.22, that value was not observed in the ledger account. Hence, the manner as to how the account was balanced was not clear to the audit.	An error occurred while entering the ledger journal number due to a mistake, resulted in an ambiguity in the way the account was balanced.	These errors should be rectified in the preparation of financial statements for the ensuing year.
(c) Sums totalling Rs.8,128,426 had been omitted on 07 occasions while sum of Rs.23,953,355 and Rs.25,850 had been overstated and understated	Observations are agreed upon.	These errors should be corrected in the preparation of financial statements

respectively on 03 occasions and 02 occasions in accounts.

for the ensuing year.

- (d) Seventeen motor vehicles received as donations to the Municipal Council from 1980 to 2019 had not been assessed and accounted for until the year under review.

Observations are agreed upon.

These errors should be corrected in the preparation of financial statements for the ensuing year.

**1.6.2 Non-reconciled Control Accounts or Reports**

Audit Observation	Comment of the Council	Recommendation
<p>-----</p> <p>There was a difference of Rs.1,301,560 between the balance as per the financial statements and the balance as per the schedules relating to 04 items of account.</p>	<p>-----</p> <p>It is agreed with the paragraphs of the report.</p>	<p>-----</p> <p>The differences should be compared and the necessary corrections should be made in the accounts.</p>

**1.6.3 Lack of Documentary Evidence for Audit**

Audit Observation	Comment of the Council	Recommendation
<p>-----</p> <p>Sums totalling Rs. 45,392,761 relevant to 04 items of account shown in the financial statements could not be satisfactorily verified/vouched in the audit due to lack of vouchers, confirmation documents, schedules and relevant files.</p>	<p>-----</p> <p>The Management Services Officer in charge of the stores has been informed to submit the relevant details, file confirmation documents to audit and to prepare a systematic arrangement in future.</p>	<p>-----</p> <p>Evidence required for audit should be submitted.</p>

**1.7 Non-compliance**

**1.7.1 Non-compliance with Laws, Rules, Regulations and Management Decisions**

Instances of Non-compliance with Laws, Rules, Regulations and Management Decisions are as follows.

<b>Reference to Laws, Rules, Regulations etc.</b>	<b>Non-compliance</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
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(a) Acts of Parliament -----			
I. Municipal Council Ordinance Section 187	A sum of Rs. 6,254,301 had been invested in fixed deposits in a private commercial bank.	Approvals related to the transaction will be submitted to the audit in the future.	Action should be taken in accordance with the Act.
(b) Establishments Code of the Democratic Socialist Republic of Sri Lanka -----			
i. Chapter XIX			
• Section 6.1	Even though the lease period of all the houses other than the house reserved for a certain post is 05 years, despite those regulations, 12 non-scheduled houses had been given to the officers for a period of 08 to 28 years.	Relevant officers have been informed in writing on 02 March 2020.	Action should be taken in accordance with the Establishments Code.
• Sections 6.14 and 7.1	Although three officers have been transferred from the council, the houses have not been returned.	Officers who have been transferred are due to hand over their official quarters.	Action should be taken in accordance with the Establishments Code.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka -----			
I. Financial Regulation 371			
a. Section (2) (b)	There were 12 unsettled advance balances given to the Municipal Officers which had elapsed from 02 ½ years to 07 years. Of which, only 03 advance balances of Rs.	Relevant parties have been unformed on the settlement of advances.	Action should be taken in accordance with Financial Regulations.

		170,000 had been settled as at 31 October 2021.		
b.	Section 05	An advance of Rs.1,525,000 given to a state institution had not been settled even by 31 October 2021.	Advances had not been settled due to non-receipt of the goods.	Action should be taken in accordance with Financial Regulations.
II.	Financial Regulation 571(2)	No action had been taken on 92 deposit balances worth Rs. 3,708,441 that had elapsed for 2 years.	Action will be taken in accordance with Financial Regulations.	Action should be taken in accordance with Financial Regulations.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the revenue of the Municipal Council in excess of the recurrent expenditure amounted to Rs. 125,474,515 for the year ended on 31 December 2020 as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs. 134,594,992.

### 2.2 Revenue Administration

#### 2.2.1 Performance in Collecting Revenue

	Audit Observation	Comment of the Council	Recommendation
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(a)	Rates and Taxes		
(i)	The arrears of Rates at the end of the year under review was Rs.77,163,577. It was as high as 122 per cent compared to the billing of Rs.63,357,784 of that year. The revenue collection was Rs.31,023,637 of the billing of the year. There was arrears of Rates amounting to Rs.60,816,292 at the beginning of the year and collection of revenue was Rs.11,547,857. Accordingly, the arrears of Rs.49,268,435 continued to exist over a period from 01 to 30 years. Hence, service of the Revenue Collecting Officers was inefficient.	The Revenue Inspector has been informed to prepare the relevant reports and submit them to the Finance Committee and it has been informed that it is expected to send red notices in the year 2022.	Action should be taken to collect revenue in arrears without delay.

(ii)	The outstanding water tariff as at 31 December 2020 was Rs.24,849,801 and the amount due from 119 customers whose water bills remained in arrears for more than 5 years was Rs.2,574,782. The amount due from 1303 water consumers relating to the period from 1 to 5 years was Rs.9,468,385.	An action plan has been prepared to disconnect water supply in the future.	Action should be taken to recover the arrears without delay.
(b)	Lease Rent -----		
(i)	Of the shop rent of Rs.32,213,164 due as at 31 December 2020, 41 per cent or Rs. 13,304,026 was due from 139 shop owners for a long period of 5 to 30 years.	The notifications on the termination of Housing Tax has been issued on 25 August 2021 and relevant persons have been informed to pay charges.	Action should be taken to recover the revenue in arrears without delay.
(ii)	There was arrears of rent amounting to Rs. 1,957,000 as at 31 December 2020 for five houses demolished in 2004 during the implementation of the James Street Road Development Project.	Further action is in progress to obtain the recommendations of the Committee in accordance with the decisions of the Council.	Action should be taken to recover the revenue in arrears without delay.
(iii)	The amount receivables from leasing on tenders as at 31 December 2020 was Rs.13,386,469. Of which Rs. 2,650,659 remained receivable over a period from 01 to 05 years and the arrears that continued to exist for more than 05 years was Rs.1,784,026.	The Revenue Inspector has been informed to prepare reports and submit them to the Finance Committee.	Action should be taken to recover the revenue in arrears without delay.
(c)	Licence Fees -----		
	Although billing for the 558 annual licences was Rs.5,029,947, only Rs..329,740 had been recovered. There was an arrears of Rs. 11,303,115 from annual land permits as at 31 December 2019 and it had increased up to Rs. 15,165,412 by 34 per cent as at 31 December 2020.	All files should be referred for group field inspection to ascertain the current status and ownership of the land.	Action should be taken to recover revenue without delay.

(d)	<p><b>Court fines and Stamp Duty</b> -----</p> <p>Court fines and Stamp duties due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2020 were Rs. 459,142 and Rs. 31,089,108 respectively.</p>	Not replied	Action should be taken to recover revenue without delay.
(e)	<p><b>Other Income</b> -----</p>		
(i)	<p>A sum of Rs.15,987,248 was due from 40 boat owners from the commencement of boat service on Gregory Lake up to 30th April 2021. It included the outstanding balances of Rs. 9,734,854 older than 03 years and Rs. 4,509,813 between 01 to 03 years.</p>	Boat service has been suspended until the arrears are paid.	Action should be taken to recover the revenue in arrears without delay.
(ii)	<p>Although a tax of Rs. 5,000 plus 10 per cent entertainment tax of the value of the tickets sold should be deposited in the Municipal Council Fund along with the government approved tax for helicopter landing on Lake Gregory, the tickets had not been submitted to the Municipal Council before the sale and 10 per cent of the value had not been deposited in the Council as required by the provisions in the Gazette.</p>	This is carried out by Revenue Inspectors and Ticket Checkers. Action will be taken to report progress thereof to the audit in the future.	A daily check-up should be carried out.

### 3. **Operating Review** -----

The following matters were observed with respect to the execution of duties charged with the Council through Section 04 of the Urban Council Ordinance, being the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people.

#### 3.1 **Identified Losses** -----

<b>Audit Observation</b> -----	<b>Comment of the Council</b> -----	<b>Recommendation</b> -----
(a) Due to non-collection of the new assessment rent owing to the objections raised by the shops owners and the Municipal Members regarding the assessment of the Chief Assessor on 27 February 2003 and the assessment of the Central Provincial Assessor on 21 August 2019, the total revenue lost to the Municipal Council since 2003 is Rs.254,786,700.	This is due to the objections that have arisen.	Decisions should be made so as not to be a loss to the Council fund.



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| <p>(b) According to the survey of stores carried out as at 31 December 2020 in terms of Financial Regulation 756, there was a shortage of 15793 units of 103 items in the general stores. There were 33 instances of misplacement of various general money receipt books and ticket books with a face value of Rs. 1,644,240 in the stores shortage.</p> | <p>An investigation will be conducted according to Financial Regulation 104 and action will be taken in accordance with Rule 105 if there is money to be recovered.</p> | <p>Action should be taken against the officials responsible for stock shortages.</p> |
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### 3.2 Management Inefficiencies

Audit Observation	Comment of the Council	Recommendation
<p>(a) Due to the poor maintenance and upkeep of the creditors records of the Municipal Council, the correct creditors balance could not be identified. According to the presented General Supply Creditors Schedule, the total balance of Rs. 2,124,902 applicable to 150 General Supply Creditors from 2017 to 2019 had not been identified and settled even though a period of 01 to 03 years had elapsed.</p>	<p>It is kindly stated that an incorrect schedule was included in the submission of the schedule and it will not be an amendment to the account.</p>	<p>Action should be taken to recover promptly and to keep the documents in an updated manner.</p>
<p>(b) No action had been taken to settle the unsettled advance balance of Rs. 1,359,500 which had exceeded 03 years as at 31 December of the year under review.</p>	<p>Relevant party will be informed on the settlement of advances.</p>	<p>Action should be taken to settle without delay.</p>
<p>(c) The balance of accounts payable out of 29 public sector accounts and 431 personal accounts as at 31 December of the year under review was Rs. 74,596,266 and it included 156 balances comprising a balance of provincial pension contribution account of Rs. 16,663,205 older than a year and balances of Rs. 4,430,793 in 155 personal accounts. Out of this, balances of Rs.35,179,767 related to 28 public sector accounts and 242 private sector accounts been settled as at 31 October 2021 and a balance of Rs.16,899,043 in a public sector account and balances of Rs. 22,217,458 in 188 private sector accounts further remained payable.</p>	<p>Action will be taken to settle it in the future.</p>	<p>Action should be taken to settle without delay.</p>

### 3.3 Operating Review

----- <b>Audit Observation</b> -----	----- <b>Comment of the Council</b> -----	----- <b>Recommendation</b> -----
(a) According to Circular No. 1980/46 of 31 December 1980 of the Commissioner of Local Government, the assessment rent had to be revised at least every 05 years , but the last assessment made in 2009 for 463 shops owned by the Council in 2009 had not been implemented even by 2020.	It was not implemented due to the objections raised.	Action should be taken in accordance with the Circular.
(b) Although it was not possible to sublease the shops as per clause II (2) of the agreement signed between the Municipal Council and the shop owners, it was confirmed that 90 shops had been subleased. According to Circular No. 2016/03 dated 15 August 2016 of the Commissioner of Local Government, even though permission had been granted to transfer the ownership of the shop to the Sub-Leaseholder by obtaining a 120 month lease at a time when the shop has been subleased, no action had been taken till 28 April 2021 to transfer the ownership of any shop which had been subleased.	Instructions of the Commissioner of Local Government will be abided by in the future.	Action should be taken to transfer the ownership of the shop to the Sub-Leaseholder.
(c) At a general meeting in February 2011, it had been decided to lease the new cafeteria in Victoria Park for 10 years with an annual increase of 10 per cent from 15 March 2011. It had not been taken steps to follow open procurement system for this cafeteria based on those decisions during the past 10 years. Likely, although Rs. 2,241,319 remained in arrears from the lessee since 2017, the Council had not taken any legal action against the lessee.	Legal action has been initiated to recover the relevant arrears.	Legal action should be initiated.
(d) The land in extent of 06 acres 35.2 perches on Hawa Eliya Udupussellawa Road had been leased out to a private company to run a garment factory from 01 August 1982 while, the adjacent land containing 02 Rood and 34.8 perches had been leased to another private company since 24 March 1984 to run an artificial eyelashes factory. Due to the	A committee has been appointed according to a decision of the General Assembly and further action will be taken on those decisions.	All should be treated on an equal basis and action should be taken to recover money from the officers responsible for the loss of revenue.

imposition of a tax of Rs. 21,637 per perch for one land and a tax of Rs. 1,788 per perch for the other land in respect of these two adjoining plots of land with similar facilities and factories with similar functions, the collection of revenue had not been done on an equal basis to ensure fairness to all parties

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| (e) | Although a plot of land containing 21.55 perch near Victoria Park had been leased in 2016 to construct a Hela Bojunhala under the Department of Agriculture, no lease had been recovered so far due to the failure to enter into a formal lease agreement with the lessee.  | The agreement is being amended as yet.   | Action should be taken to sign an agreement and to take steps against the officials responsible for this matter. |
| (f) | The Bambarakele quarry land containing about one acre had been leased to a businessman on 24 December 2008 for an annual fee of Rs. 26,500. According to the second sub-clause of the lease agreement, the period of lease expired on 24 December 2012, whereas action had not been taken to acquire the land and quarry even by the end of 2020. | The files have been taken to the Commission to Investigate Bribery and Corruption and an investigation is in progress.   | Decisions should be made so as not incur a loss to the Council fund.   |
| (g) | According to Section 217 of the Confiscated Lands Ordinance, an annual tax of 4 per cent can be levied on the undeveloped value of the land in leasing lands for residential purposes. Nevertheless, a value observed on location of the land had been levied as per the decision of the Commissioner dated 25 August 2017.                       | Observation is agreed upon. However, the Finance Committee has recommended to use the Grama Niladhari Valuation for lands less than 10 perches and the Valuation of the Chief Assessor for lands above 10 perches. | Decisions should be made so as not incur a loss to the Council fund.   |

### 3.4 Matters of Contentious Nature

----- <b>Audit Observation</b> -----	<b>Comment of the Council</b> -----	<b>Recommendation</b> -----
(a) Although letters of notice had been signed stating that property would be banned under Section 252 of the Municipal Council Ordinance, there were 14 instances where the letters were not delivered to the relevant persons.	Property owners have not submitted the relevant documents to change the name of the property.	Letters of Notice of Prohibition of Property should be issued to the relevant persons immediately.
(b) Although the Municipal Commissioner annually signed the notices on the termination of the Residence Tax and	These are announcements relating to the shops for which	Notice of termination of Residence Tax should be given to the relevant

submits it to the Revenue Inspector to recover the arrears, there were 94 instances where they have not issued such notices to the relevant shop owners.

billing is carried out fraudulently persons immediately.

### 3.5 Assets Management

<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
<p>(a) The plot of land containing 01 Rood and 31.4 Perches at Grand Hotel Road, Nuwara Eliya had been leased to a person for one year from 01 September 1979. The agreement had not been renewed after the expiry of the lease period and even though the lessee had illegally occupied a large area exceeding the extent of the leased land by levying an annual tax of Rs. 6,000 until 2012, the Municipal Council had not taken any action.</p>	<p>Action will be taken carry out a useful project subject to the approval of the Governor.</p>	<p>Steps should be taken for the acquisition without delay.</p>
<p>(b) It was observed during the audit test check conducted on 19 October 2020 that the Municipal Council had erected a security fence around the land at No. 10 in front of the Grind Hotel Road Hill Club and deployed a security guard, but the land had been illegally cultivated and a family was living in a temporary house.</p>	<p>Legal action will be taken to recover the possession.</p>	<p>Steps should be taken for the relevant acquisition without delay.</p>

### 3.6 Delays in projects, functions or capital work

<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
<p>With the objective of making the city which is known as Little England a more attractive, commercial as well as tourist city, an agreement had been entered into with a private company consisting of the Municipal Council and a government-owned shareholdings on 29 June 2016 to construct and complete 03 housing and commercial buildings, three 7-storey buildings with a car parks within 03 years.</p>	<p>It will be implemented again by taking over the plots of land in the future.</p>	<p>It should be re-implemented to achieve objectives.</p>

It had been agreed in the agreement to complete the industry using funds of the company and cover the relevant expenses through its sales value and to provide the Council with the Council Office, fair grounds and the car park. Accordingly, the aforesaid company had spent Rs.10,954,477 for the initial activities as at 15 May 2018 and on 15 May 2018, the Council decided to cancel the agreement and enter into a new agreement with the company or a new investor to maximize the benefits to the Council. Although 03 years have passed since the termination of the agreement, it was observed that there had been no sufficient progress in restarting the project until May 2021.

### 3.7 Procurement Management

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<b>Audit Observation</b> -----	<b>Comment of the Council</b> -----	<b>Recommendation</b> -----
(a) Newspaper advertisements had been published on 07 October 2019 to register suppliers for the year 2020 and the closing date for accepting applications was 31 October 2019. Due to non-registration of sufficient suppliers, the Finance Committee had extended the date till 25 November 2019, but no steps had been taken to inform all the parties inviting for applications.	Observations are accepted. Action will be taken to avoid these shortcomings in the 2021 procurement process.	Action should be taken in accordance with procurement laws, rules and regulations.
(b) Although action should be taken to call for bids from all registered suppliers as per Section 3 (a) 1 of the Local Government By-law No. 541/17 dated 20January 1989, bids had not been invited from all the registered suppliers on 14 occasions of bidding worth Rs. 6,688,653.	Observations are accepted. Action will be taken to avoid these shortcomings in the 2021 procurement process.	Action should be taken in accordance with procurement laws, rules and regulations.

<p>(c) In accordance with Guide 3.6 of the Government Procurement Guidelines, repeat orders for the procurement of goods may be authorized up to a limit of 50 per cent of the original contract value, provided that not more than a six month period has lapsed from the date of award of the original contract and it is not economical to follow the bidding procedure again and price of the Goods have not dropped since the original order. However, although procurement has been called for the purchase of 10 cubes of sand, 20 cubes of chips and 15 cubes of ABC, 100 bags of cement, purchase of 682 bags of cement, 150 cubes of ABC and 30 cubes of sand had been made for Rs. 2,470,000 without calling for repeat orders and procurement had been done outside the procurement terms. Further, Cement bags worth Rs. 50,000 had been purchased from unregistered suppliers.</p>	<p>Observations are accepted. Action will be taken to avoid these shortcomings in the 2021 procurement process.</p>	<p>Action should be taken in accordance with procurement laws, rules and regulations.</p>
<p>(d) Although there were 12 registered suppliers for supplying tyres, bids had been obtained manually from only three registered suppliers for obtaining 286 tyres for the mechanical division. Having obtained quotations for various types of tyres, the tyres worth Rs. 2,084,396 had been purchased from three unregistered suppliers.</p>	<p>Observations are accepted. Action will be taken to avoid these shortcomings in the 2021 procurement process.</p>	<p>Action should be taken in accordance with Procurement Guidelines.</p>
<p>(e) The covering approval of the Mayor had been obtained for 106 emergency purchases in the price range of Rs. 46,280 to Rs. 1,575,000 and no Council report was submitted for audit, which determined the maximum limit on which the Mayor could grant covering approval.</p>	<p>Observations are accepted. Action will be taken to avoid these shortcomings in the 2021 procurement process.</p>	<p>Action should be taken in accordance with Procurement Guidelines.</p>
<p>(f) Although the Government's expectation in awarding contracts to community based societies is to create</p>	<p>Observations are accepted. Action will be taken to avoid these</p>	<p>Action should be taken in accordance with Procurement</p>

employment opportunities in the area and thereby uplift the area, the Nuwara Eliya Model Shopping Complex Renovation Project worth Rs. 3.6 million had been divided into two parts of Rs. 1.8 million each and given to two community based societies without being complied with paragraph 3.4 of the Public Finance Circular No. 01/2012 dated 05 January 2012. But the two societies had subcontracted the above contract to a private company.

shortcomings in the 2021 procurement process.

Guidelines.

### 3.8 Deficiencies in the Contract Administration

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<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
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(a) Although the development of Sandatenna Second Lane was carried out from 16 December 2019 to 11 March 2020, payment of Rs. 3,362,267 had been made based on the laboratory records of a concrete sample obtained on 11 March 2020.	Samples have been obtained on 05 and 10 March.	All works should be subjected to quality inspections without delay.
(b) Although the logs should be maintained on a daily basis from the beginning to the end of the project on physical inspections carried out and advice given by the technical officers / engineers supervising the project, log entries had not been maintained on 06 projects which were subjected to audit test check.	Action will be taken to correct this in the future.	Log entries should be maintained properly.

### 3.9 Human Resource Management

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<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
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According to the instructions of Public Administration Circular No. 25/2014 dated 12 November 2014, permanent appointments should be made only to the posts to which such employees have	The Chief Secretary of the Central Province has informed the Director General of the Department of Management Services in	Appropriate steps should be taken without delay.

been recruited. Nevertheless, out of the 14 persons who worked as labourers, 13 had been confirmed in the post of driver and one in the post of welder and as such the amount which could not be reimbursed by 31 December 2020 for those 14 posts was Rs. 8,135,888.

writing on 10 August 2020 to approve these posts and further action will be taken after obtaining the relevant approval.

#### 4. Accountability and Good Governance

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##### Environmental Issues

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<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
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(a) The tenderer, who received the tender to purchase non-degradable waste had purchased only plastic bottles and as such, about 12,500 kilograms of collected fiber, rigifoam, electronic waste, green and brown glass bottles had been piled up at the premises of the solid waste centre.	As the collection of that materials has been delayed with the corona epidemic, the relevant material has thus been piled up.	Waste management should be properly carried out.
(b) Although polythene and plastic raw materials out of the non-degradable waste were cut in to pieces and grinded to prepare for sale, the Municipal Council had not taken adequate measures to find buyers.	As the collection of that materials has been delayed with the corona epidemic, the relevant material has thus been piled up.	Waste management should be properly carried out.
(c) It was revealed that due to non-availability of buyers to buy grinded polythene and lack of systematic arrangement for sale of manufactured flower pots, no polythene has been milled since July 2017 and as such, the polythene shredding machine remained idle.	Action will be taken to give more publicity to it in the future and to increase the number of buyers.	Waste management should be properly carried out.