

## **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 to audit on 28 February 2013 and the financial statements for the preceding year had been presented on 28 March 2012. The report of the Auditor general for the year under review was issued to the Chairman of the Council on 17 July 2013.

##### **1.2 Opinion**

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Nuwara-Eliya Municipal Council had maintained proper accounting records for the year ended 31 December 2012 and except for the effects on the financial statements of the matters referred to in my report the financial statements have 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 2012 and the financial results of its operations and cash flow statements for the year then ended.

##### **1.3 Comments on Financial Statements**

###### **1.3.1 Accounting Standards and Policies**

It had been stated that the financial statements of the Council have been prepared in accordance with the Accounting Standards of Public Sector of Sri Lanka. But, the value of land and buildings existed prior to 01 January 2012 had not been disclosed in the financial statements in terms of Accounting Standards of Public Sector of Sri Lanka No.01.



Sample audit checks revealed that 07 newly constructed buildings had been occupied without obtaining conformity certificates in terms of the provisions of Section 127 of the Municipal Council Ordinance.

### **2.2.3 Lease Rent**

The rent of the stalls owned by the Council had been assessed by the letter No.NE/RP/631 dated 19 August 2009 of the Chief Valuer of the Central Province. The rent based on the above assessment had not been recovered from 416 stalls as required by Circular No.1980/46 dated 31 December 1980 of the Commissioner of Local Government and a rent less the assessment had been recovered on an approval of the Council. Therefore, the municipal Council Fund had deprived of an income of Rs.41,362,500 as at December 2012.

### **2.2.4 Lease of Trading Right to Sell Meat**

- (a.) Separate tenders had not been called for 02 beef stalls and 02 poultry stalls owned by the Council at the General Market and therefore, the lease of trading right within the area of the Council had not properly carried out.
- (b.) An adequate security deposit had not been obtained from the selected tenderers while granting the trading right of beef selling for the year 2012 and lease rent had not been recovered in terms of the agreement. Therefore lease rent amounting to Rs.135,500 could not be recovered for the year under review.

### **2.2.5 Recovery of 1% Tax on Land Sales**

The Council had given approval to a private company to develop a land to the extent of about 07 Acres 03 Roods situated within the area of the Council construct houses and sell. The plot of land to the extent of 97.7 Perches that should be vested with the Council in terms of the order layed by the Minister according to the Urban Development Authority Act No.41 of 1978 had not been acquired by the Council through a title deed.

The relevant Company had mortgage 34 plots of this land to a private bank for Rs.202,890,000 and had obtained money for construction of houses. Further, 04 houses constructed on 04 plots of land had been sold for Rs.126,200,000. According to 247(e)(1)



- (b.) According to Section 5:4:3 of the Government Procurement Guidelines, advances can be paid subject to a maximum of 20%. Contrary to this Rs.2,636,530 being 75% of the relevant estimated amount had been paid for repairing a Caterpillar owned by the Council.

## **2.5 Control over Contracts**

### **2.5.1 Installation of an Electric Train in the V**

A sum of Rs.36,341,250 had been paid to a private company at 08 instances during the year 2011 for installation of an electric train in the 9 L F W R U L D & K L O G U H Q ¶ V 3 D U I .  
The following observations are made in this connection.

- (a.) A formal procedure for approving the Project had not been followed as required by Financial Regulation 03 of the Democratic Socialist Republic of Sri Lanka and the Financial Rule No.04 of the Central Provincial Council.
- (b.) Tenders had been called for by a Newspaper advertisement published for this Project on 07 June 2011 and a contractor had been selected and an agreement had been entered into on 28 July 2011. However, the Council had approved the Project Report on 01 August 2011.
- (c.) The approval of the Minister had not been obtained for this Project in terms of the provisions of Section 40(a) of the Municipal Council Ordinance.
- (d.) According to Section 2:14:1 (Goods and Works) of the Government Procurement Guidelines-2006, market bidding procedure cannot be followed for this Project. However, according to the procurement records maintained, tenders had been called for under market bidding procedure.
- (e.) The payment of Rs.36,341,250 included a sum of Rs.17,979,535 in excess of the invoice value, customs duty, transport charges and fair profit margin.



