

## **Nuwara Eliya Municipal Council - 2023**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Municipal Council, Nuwara Eliya for the year ended 31 December 2023 comprising with the Balance Sheet as at 31 December 2023 and Income and Expenditure Account, for the year then ended and notes to the financial statements including material accounting policy information 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 the Municipal Councils Ordinance (Chapter 252) and National Audit Act No. 19 of 2018. My comments and observations which I consider should be reported to 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 2023, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

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

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 the parties in charge of governance on the Financial Statements**

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 in charge 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)**

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.
- The recommendations made by me during the previous year are included in the financial statements presented as required by Section 6(1)(d)(iv) of the National Audit Act, No. 19 of 2018.

## 1.6 Financial Statements

### 1.6.1 Accounting Deficiencies

	<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
(a)	Although the non-balancing of the debit and credit balances of the balance checking by Rs.2,363,043 should be credited to a suspense account and then the errors should be identified and corrected, the informal deductions had been made from the accumulated fund.	The necessary steps are taken to rectify the account.	The reasons for not balancing the accounts should be found and balances should be corrected.
(b)	Since a sum of Rs.861,800 included in the balance of outstanding trade license account as at the end date of the year under review was accounted as revenue receivable, the said amount had been double-counted.	It will be corrected when the final accounts for the year 2024 are prepared.	The account balances should be corrected.
(c)	Even if a sum of Rs.259,779 had been credited to the miscellaneous deposit account stating as a rectification of the opening balance, it had not been debited to any other account. Due to this matter, the way the accounts were balanced was not clear.	It will be corrected when the final accounts for the year 2024 are prepared.	The account balances should be corrected.

(d) Direct credits, unidentified receipts, bank charges levied by the bank and corrections by the bank of two bank current accounts being maintained in two public and private bank branches amounting to a total of Rs.12,845,106 had not been identified and accounted.	The corrections will be done in future.	Such balances should be identified and the cash book should be revised before preparing bank reconciliations.
(e) Since a vehicle value of Rs. 2,500,000 had been double-calculated In the financial statements as at the end date of the year under review, the cars and carts had been overstated by the said amount.	The relevant corrections will be done in future.	The account balances should be corrected.
(f) A sum of Rs. 1,239,060 paid at 10 occasions in the year 2024 related to the year under review and storage items ordered amounting to a total of Rs. 1,706,208 had not been accounted under the creditors and the warehouse creditor balances of Rs. 617,365 that had been settled in the previous years had been shown further under the creditors.	The necessary arrangements have been made to do the relevant rectifications.	All the liabilities should be accounted and account balances should be rectified at the end of the year.
(g) An amount of Rs.5,404,257 to be charged from a hotel registered at the Sri Lanka Tourism Authority had not been identified as revenues of the year and accounted.	The relevant corrections will be done in future	The account balances should be corrected.
(h) The expenses at a value of Rs. 617,365 in the general supply creditors as at the end date of the year under review have been shown as to be paid further, although it has already been paid completely.	The corrections will be done in the final account of the year 2024.	The creditor balances should be corrected.

**1.6.2. Unreconciled Control Accounts or Records**

<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
(a) When comparing the balances in relation to 02 account balances shown in the financial statements with the balances in the related basic books and subsidiary documents, a disparity of Rs. 8,626,982 was observed.	The actions required to make rectification will be taken.	The disparities should be identified and the actions should be taken to solve.

(b)	Since the balances of 153 stock units were recorded as negative balances when the final inventory balances were brought forward, the accuracy of the stock balance of Rs. 64,163,288 stated in the financial statement could not be verified.	The actions required to make rectification will be taken.	The stock records and stock control should be streamlined.
(c)	As per the stock balance obtained according to the stock computer software as at the end date of the year under review and the board of survey report as at 31 December of the year under review, there was a disparity of Rs. 2,433,086 in terms of 54 warehouse items.	The actions required to make rectification will be taken.	- Do -
(d)	Although the value of the electric train in the fixed asset register was Rs. 36,514,040, there was a disparity of Rs. 16,593,642 since it was shown as Rs. 19,920,398 in the financial statement.	The actions required to make rectification will be taken.	The account balances should be corrected.

## 1.7 Non-compliance

### 1.7.1 Non-compliance with Laws, Rules and Regulations

The instances of non-compliance with Laws, Rules, Regulations and management decisions are as given below

	<b>Reference to Laws, Rules and Regulations</b>	<b>Non-compliance</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
(a)	<b>Acts</b>			
i.	Section 247 e (1) of Municipal Council Ordinance (Chapter 252)	Tax on the sale in terms of 46 land lots sold at auction by 04 private companies in the council area had been undercharged by Rs. 5,376,761.	The necessary further steps are being taken to collect.	The proceedings should be made as per the provisions of the Act.
ii.	Section (a), ( b), ( c) of the Schedule of the Environment	64 hotels and lodges within the limit of the Municipal	The hotels and lodges within the Municipal Council area will be	The proceedings should be made as

	Act No. 47 of 1980 published by the Extraordinary Gazette No. 2268/18 dated 27 January 2022	Council had not obtained environmental permits.	notified to obtain licenses.	per the provisions of the Act.
iii.	The section 23 (V) and the Chapter 450 of the National Environment Act No. 47 of 1980 published in Gazette No. 772/22 dated 24 June 1993.	The project to build the pony lane in a marshy land was started on 23 February 2023 and the application was sent to the Environment Authority on 20 April 2023 for its approval, and however the project was stopped due to the objection of the	If other recommendations are given by the Central Environmental Authority related to the project, the proceedings will be made accordingly and make efforts to succeed the project.	The proceedings should be made as per the provisions of the Act.
(b)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
i.	The amended F.R 371 (2) (b) and Section 05 of the Public Finance Circular No. 03/2015 dated 14 July 2015	08 advance balances of Rs. 1,189,500 existed from a period from 05 to 08 years had not been settled.	It has been informed in writing to take necessary actions to settle the advances.	The proceedings should be made as per the Financial Regulations.
ii.	F.R 396(d)	87 cheques amounting to a total of Rs. 14,244,223 of the current accounts being maintained at two branches of state banks and expired as at 31 December of the year under review had not been cleared for a period of 06 months to 02 years.	The actions will be taken to correct the deficiencies pointed out.	The proceedings should be made as per the 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. 231,769,227 for the year ended on 31 December 2023 as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs. 219,928,379.

## 2.2 Revenue Administration

### 2.2.1 Estimated income, billed income, collected income and arrears of income

According to the information submitted by the Municipal Commissioner, the particulars about the estimated income, billed income, collected income and arrears of income related to the year under review and the previous year are given below.

Income Source	2023				2022			
	Estimated incom.	Billed income	Collected incom.	Total deficit as at 31 December	Income Source	Estimated income	Billed income.	Collected income
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	140,549,100	122,819,119	110,778,126	137,974,418	139,912,400	129,038,341	138,880,404	125,933,424
(ii) Stall Rentals	111,932,700	63,991,762	53,240,344	70,378,359	78,955,000	58,864,187	56,869,600	73,329,599
(iii) License fee	22,252,000	26,908,286	25,343,036	34,341,807	19,807,000	23,595,274	17,610,877	27,280,075
(iv) Other income	439,352,100	105,425,835	38,853,911	108,658,328	465,849,100	54,395,698	45,294,666	47,561,373
	<u>714,085,900</u>	<u>319,145,002</u>	<u>228,215,417</u>	<u>351,352,912</u>	<u>704,523,500</u>	<u>265,893,500</u>	<u>258,655,547</u>	<u>274,104,471</u>

### 2.2.2 Performance in Collecting Revenue

The observations in respect of the Performance in Collecting Revenue of the Council are given below.

	Audit Observation	Comment of the Council	Recommendation
(a)	<b>Assessments Tax</b>		
i.	The outstanding balance of assessment tax as at the end date of the year under review was Rs. 84,347,443, and the assessment tax deficit to be recovered from private property was Rs. 68,361,868. A sum of Rs. 62,765,267 out of that amount had been due from a period of more than 01 to 10 years.	The actions will be taken to collect the arrears.	The revenue arrears should be collected as per the provisions of the Act.
ii.	Although 1221 premises with assessment tax arrearshad been identified to prohibit the property in the year under review, only the properties of 9 premises had been prohibited and the assessment tax of Rs. 467,063 or only 0.56 percent from the arrearshad been collected. Although there were 42 premises with arrears of more than Rs.100,000 at the time of prohibiting the properties, the	- Do -	- Do -

amount overdue of the premises selected for the prohibition of properties was at a range from Rs 9985 to Rs 88,757.

**(b) Rents**

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| i.   | Although the houses had been handed over subsequent to the valuation of assets as Rs.480,000; which is the fee for a period of 40 years with Rs.1000 per month for an alternative place for those who lost their homes due to a development work in the year 2015 and on the condition of handing over 04 properties to them by charging the amount of Rs. 400,000 for the construction of one house, the actions had not been taken to levy the amount of Rs.1,807,000 to be levied to the Council from those houses by 31 December of the year under review. | The further activities are being done in that regard. | The revenue arrears should be charged. |
| ii.  | The actions had not been taken to collect the stall rental of Rs. 42,398,365 from 267 stalls situated in the municipal council area having the stall rental of more than 01 year by proceeding as per the Section (a) of the Circular No. 2015/1 dated 27 January 2015 of the Local Government Commissioner.   | The actions will be taken to collect the arrears.     | The revenue arrears should be charged. |
| iii. | There was a stall rental arrears amounting to a total of Rs. 3,009,505 as at 31 December 2023 from 41 stalls located in the Municipal Council area and a sum of Rs.2,769,067 that should be collected from the 26 stall owners within a period of 01 to 05 yearshad not been collected.  | A procedure is in place to recover the arrears.       | - Do -                                 |

**(c) License Fee**

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| i. | 158 three-wheelers of 12 unregistered associations are running in the city and 24 vans and 253 three-wheelers used in transport services have not taken the annual licenses without obtaining a valid permit as per the Section 08 of the paragraph on parking motor vehicles of Part II in the by-law XVIII on vehicle parking of the Local Government (Standard By-laws) Authority Act No. 08 of 1952 published in the Gazette No. 541/17 dated 20 January 1981. | The necessary arrangements are being made to recover the arrears. | The proceedings should be made to recover the arrears according to the by-laws. |
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ii.	As at 31 December 2023, the balance of the annual license account was Rs. 28,841,974 and the said amount was to be levied from 472 people for more than a period from 01 to 10 years. However, the formal measures had not been taken to recover the amount.	The arrears are being collected.	The revenue arrears should be charged.
<b>(d) Court Fines and Stamp Duty</b>			
	The court fine of Rs. 222,175 and the stamp duty of Rs. 108,436,153 were to be received from the Chief Secretary to the Provincial Council and other authorities as at 31 December of the year under review.	It is in conformity with audit observations.	The income should be taken.
<b>(e) Other Revenues</b>			
i.	The amount due for the Municipal Council from the tender fees of 06 stalls was Rs. 11,199,465, and the balances of more than 05 years were Rs.2,804,914 and outstanding balances of Rs. 5,079,571 between 01 and 05 years were included therein. However, the actions had not been taken as per section 254 (a) (1) of the Municipal Ordinance to collect the outstanding balance.	We agree with audit observations.	The revenue arrears should be charged.
ii.	As at 31 December 2023, the outstanding balance of water tariff was Rs.34,662,599 and a sum of Rs.13,655,196 had not been collected from 1479 units for more than 01 to 10 years. Consequently, Rs. 7,401,529 or 21 percent was to be collected from 130 government institutions.	The arrears will be collected in the future	The revenue arrears should be charged.
iii.	A land tax balance of Rs.18,964,375 was to be levied from 168 persons as at 31 December of the year under review, and the outstanding balance of Rs.17,597,708 for more than a period from 01 to 20 years was within the said balance.	It will be referred to the Management Committees, and the appropriate decisions will be taken.	The revenue arrears should be charged.
iv.	There were outstanding balances of Rs.10,170,012 from 22 boat owners as at 31 December of the year under review, and a balance of Rs.8,123,061 was due from 06	The Revenue Inspectors have been assigned in writing to do the proceedings required to collect money.	The revenue arrears should be charged.

boat owners whose outstanding amount was over Rs.500,000.

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| v. | Even if Hawa Eliya Garbage Recycling Center had an outstanding amount of Rs. 598,125 for the year 2016 and the Recycling Center of Udopusellawa Road had an outstanding amount of Rs. 122,286 for the year 2015, the actions had not been taken to collect. | The further work will be done and necessary action will be taken. | The revenue arrears should be charged. |
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### 3. Operation Review

#### 3.1 Fulfilling the tasks assigned by the Act

The following matters were observed with respect to the execution of duties charged with the Council through Section 04 of the Municipal 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.

<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>	
<b>(a) By-laws</b>			
i.	Although a by-law had been prepared on the regularization, control and charging fees of the Gregory Lake boat service; which is being maintained for commercial purposes, and submitted to the Local Government Commissioner of Central Province for approval on 27 November 2020, the approval had not been taken thereto until the end of the year under review.	We agree with audit observations.	The relevant by-laws should be enacted.
ii.	The actions had not been taken by the council to enact by-laws to regulate pony racing functioned as an income generation activity as per the 247 (a) (c) of the Municipal Council Ordinance.	We agree with audit observations.	The relevant by-laws should be enacted.
<b>(b) Fulfillment of Public Service</b>			
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	Although the reports had confirmed that the samples taken from water distributed to the public by the Municipal Council from 9 water sources; as per the provisions of the Section 96 of the Municipal Council Ordinance, have been found to be in a quality lower than the drinking water	We agree with audit observations.	The actions should be taken to provide clean drinking water to the public.

standards (SLS 614) and that the chlorination has not been done properly as well as that the water is effected with bacteria such as coliform, no action had been taken in that connection.

### 3.2 Management Inefficiencies

Audit Observation	Comment of the Council	Recommendation
(a) According to the Provincial Council Statute No. 2 of 2001 published in the Gazette No. 1199/09 dated 28 August 2021, the stamp duty revenue should be collected within 02 years. The billing of the stamp duty at a value of Rs. 13,411,960 to be levied to the council for the year 2019 had not been collected.	The necessary steps are being taken to write off the arrears for more than 02 years, from the documents	The actions should be taken to collect the revenue arrears.
(b) Although a sum of Rs. 31,000,000 had been allocated by the Municipal Council within the last 05 years for 05 tourism promotion innovative projects from the budget, only Rs. 1,627,205 or 05 percent had been used. Consequently, 03 tourism development projects had been stopped on the way and 02 were functioning slowly.	The attention has been paid to re-start the projects.	The proceedings should be made to complete the projects.
(c) Although the rental of the stalls belonging to the Council had been last valued by the Valuation Department in the year 2009, the said rent was not collected until 31 December of the year under review. Consequently, a sum of Rs.55,609,875 had been missed for the Council Fund within 15 years from 148 stalls inspected.	The actions are taken to discuss and solve the existing matters with the Valuation Department.	The valued rent should be charged.

### 3.3 Controversial Transactions

Audit Observation	Comment of the Council	Recommendation
(a) A land area of 88.18 perches adjacent to Gregory Lake of Nuwara Eliya had been leased by the Urban Development Authority to an external party for a period of 10 years with effect from 23 March 2021 to maintain it as a recreation park without proceeding in accordance with the Section 1 in the Public Performances Standard By-laws XXXI of the Local Government (Standard By-laws) Authority Act No. 06 of 1956 published in the Gazette No. 541/17 dated 20 January 1989. Accordingly, although a period of 03 years had passed since the start of the carnivals by the lessee without obtaining an annual license from the Municipal Council, any legal action had not been implemented even to collect the entertainment tax.	Further proceedings will be done and reported.	The entertainment tax should be charged.
(b) In the project which was built with 200 solar lights (150 light poles of 24 watt and 50 36 watt lamps) at a cost of Rs.12,087,162 in the year 2017, the batteries of the solar panel street lamps were removed by the Municipal council workers and left to destroy	We agree with audit observations.	The relevant projects should be maintained with systematic supervision.
(c) According to the request presented by the Golf Club for the construction of a walkway across the golf playground, the planning committee held on 16 November 2021 had granted the approval to construct the walkway "with the funds of the Club in accordance with the plan given by the Municipal Council". However, a loss had been caused by the Municipal Council constructing it at an expense of Rs.1,081,898 incurred from the council fund.	A construction done for the safe travel of tourists who pay taxes and come to Nuwara Eliya city.	The actions should be taken regarding non-fulfillment of projects adhering to the standard methodology and internal controls.
(d) In parallel with the spring festival of the year under review, three bids had been obtained for city decoration after a field inspection, and the flower plants worth Rs. 2,048,440 had been purchased on 03 February, 15 March and 04 April 2023. However, it was	The flower plants had to be purchased as the company selected for the purchase of flower seeds said that they	The procurement process should be done correctly in the transparent manner.

revealed that the letters submitted by the two institutions other than the institution from which the flower plants were purchased had been forged. Consequently, an irregularity had been committed by making the purchases of Rs.2,048,440 outside the tender procedure.

could not provide flower seeds.

- (e) The Municipal Accountant had taken an advance of Rs.100,000 on 04 April 2023 to buy flower plants in order to plant low growing flower plants in Victoria Park, and had committed an irregularity by purchasing the flower plants from another private company at a cost of Rs. 94,500 instead of buying the plants from the selected bidder and later obtained a fake bill of Rs.126,000 from the selected bidder.

The plants were purchased from a company and the transport fee was also included, and the bills of the winning bidder were obtained.

The procurement method should be followed correctly.

- (f) As per condition 03 of Schedule III of Extraordinary Gazette No. 1487/10 dated 05 March 2007 in accordance with the Sections 24 (c) and 24 (d) of the National Environment Act No. 47 of 1980, a sum of Rs.3,733,373 had been spent for the construction of a building using concrete slabs by the Municipal Council itself in the Phase IV of Gregory Lake without obtaining the approval and recommendations of the Central Environment Authority. The legal actions had been taken by the Central Environmental Authority against the Municipal Council in this regards.

It is expected to be done by referring to the Central Environment Authority and obtaining approval.

The provisions of the Act should be followed.

- (g) As per a decision taken at a general meeting held in February 2011, the canteen of the Victoria park had been leased for a period of 10 years with effect from 15 March 2011 with an annual increase of 10 per cent. This lessee had not paid any tax to the council after the year 2017 and made the arrears of 45 monthly installments until March 2021 and the amount to be recovered from the lessee by the end of the relevant agreement on 14 March 2021 was Rs. 2,220,774. Any legal action had not been taken in this regard.

The necessary proceedings have been made to carry out the legal activities.

The actions should be taken to recover the arrears.

### 3.4 Idle and under-utilized Properties, Plants and Equipment

<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
09 vehicles worth Rs.6,587,500 remained idle and underutilized as at the end date of the year under review.	The relevant information has been submitted to the Local Government Commissioner on 21.03.2023 for disposal of vehicles that are not in running condition.	The actions should be taken to dispose.

### 3.5 Asset Management

<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
(a) A proper guidance had not been provided to the tourists by the information center being maintained by the Municipal Council located near Victoria Park in order to give necessary information to local and foreign tourists coming to Nuwara Eliya area. A labour officer had been appointed in charge of it and the awareness had been made only about 12 tourist places.	It has been planned to turn into a building equipped with infrastructure and the necessary facilities for tourists to know the tourist information.	The steps should be taken to do the maintenance properly.
(b) An area of more than 30 percent of the Gregory Park has already been invaded by Salvinia and Japanese jabara and the species such as Yulacs, Yodha nidi Kumba, Gandapana, Katupathok are also spreading within the limit of Nuwara Eliya town. However, the actions had not been taken to destroy these invasive plants.	The council does not have an adequate staff to remove the invasive plants.	The steps should be taken to remove invasive plants.
(c) There was not a place for the tourists to rest in Gregory Lake Phase I and the rest rooms in Phase III and IV were left unused by tourists due to dirty environment, location near the toilets, and cattle roaming around.	The necessary instructions are given and supervision is done for cleaning rest rooms and toilets.	Those should be properly maintained.
(d) Although the number of approved boats on Lake Gregory was 115, the council had not made any monitoring of those boats. Environmental damage had been caused due to the leakage of oil etc. from the boats into the lake water. The bank of the lake had been eroded due to speed boats.	The arrangements will be made in future to prepare a program.	The arrangements should be made to streamline boat running.

<p>(e) The interlock road built in 2015 at a cost of Rs.17,509,603 in the fourth phase of Gregory Lake was completely with wilderness and underutilized, and the stones had been washed away in some places. All the public street lamp posts built at a cost of Rs. 4,262,224 in the 04<sup>th</sup> phase of the lake had been destroyed. As the actions had not been taken to repair those, Gregory Lake remained completely dark at night. The council had not taken steps to protect the lake grounds and prevent the unauthorized access by preparing fence boundaries of the Phase II and IV areas of Gregory Lake.</p>	<p>A suitable place to herd the ponies should be prepared before preventing ponies and cattles from entering irrespective of the fence boundaries. Making fence boundaries and preventing unwanted intrusions thereafter can be more successful.</p>	<p>The Gregory Lake should be properly maintained.</p>
<p>(f) The fish stall of the central market is maintained on the border of Victoria Park, and the Gregory Lake was polluted due to the direct discharge of its water into Talagala Oya.</p>	<p>The arrangements have been made to do the relevant corrections as indicated by the audit.</p>	<p>The waste water should be properly disposed.</p>
<p>(g) The construction works of the Gregory lake embankment has become a drawback and consequently the bank has been eroded. It has become a problem; due to this reason, for the boat owners to keep their boats and any step has not been taken by the municipal council to restore the bank.</p>	<p>The actions will be done in future to prepare a suitable program to regulate the boat running in Gregory Lake.</p>	<p>The Gregory Lake should be properly maintained.</p>
<p>(h) The ownership of 04 vehicles received by the council since 1980 had not been taken over to the Council.</p>	<p>The necessary arrangements are being made to obtain revenue licenses.</p>	<p>The actions should be taken to take over the ownership.</p>

### 3.6 Procurement Management

<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
<p>A sum of Rs. 1,729,600 had been paid for 32 cubic meters of ready-mix concrete without carrying out any quality inspection by obtaining quotations from only one private company on 15 March 2023 without calling for quotations adhering to the tender procedure to purchase 33 cubic meters of ready-mix concrete for a concrete carpet.</p>	<p>The purchases were done from the existing company in Nuwara Eliya area, and the laboratory reports were obtained from the relevant company.</p>	<p>A formal procedure should be followed.</p>

### 3.7 Deficiencies in the Contract Administration

<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
<p>A contract had been made for a sum of Rs. 2,820,836 to construct a rest room at the Gregory lake golf course and the constructions had been assigned to a contractor as well as a sum of Rs. 1,884,734 had been paid for the constructions done outside of the standard not compatible with the standard specifications of the buildings. In the inspection of the constructions, it was revealed that Rs. 567,950 had been paid in excess for the application of concrete and untrained labor. Also, the Central Environmental Authority had taken legal actions in respect of the construction in the environmental protection zone without the approval of the Central Environmental Authority</p>	<p>The arrangements will be made to rectify the deficiencies.</p>	<p>The relevant approvals should be obtained and the work should be done up to the standard of the estimate.</p>

### 3.8 Human Resource Management

<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
<p>(a) There were 69 posts in excess including 132 vacancies in 33 posts, 55 excess in 03 approved posts, 14 excess in 03 unapproved posts and the post of engineer, 04 posts of revenue inspector, 03 posts of public health inspector and 13 posts of management service had been vacant as at the end date of the year under review.</p>	<p>The services of the currently assigned officers will be utilized to the maximum extent.</p>	<p>The vacancies should be filled.</p>



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| (b) | A total loan balance of Rs.2,893,861 had not been recovered from 78 officers who died, retired, interdicted, vacated the service and transferred as at the end date of the year under review. | The remaining balances to be recovered further are being checked. | The credit balances should be charged. |
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**4. Accountability and Good Governance**  
**4.1. Environmental Issues**

<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
(a) The waste management has not been done properly in the area of the Municipal Council although the human resources are available sufficiently, and cardboard, plastic bottles, polythene and electronic waste had been disposed to the garbage landfill of Sandathenna.	The steps are taken to carry out waste management according to a proper plan	The waste management should be done properly.
(b) As the proposed sewerage system planned to be constructed in the 2004 – 2016 development plan was not established by the Municipal Council even after 20 years, Barrack plain Lake, Gregory Lake and Galvezland Reserve had been polluted due to dumping of sewage.	The steps are taken to carry out waste management as per a proper plan.	The waste management should be done properly.
(c) A proper arrangement for cleaning the public drains in the city had not been prepared according to section 98 (1) of the Municipal Council Ordinance.	The steps are taken to carry out waste management as per a proper plan.	The waste management should be done properly.