

Municipal Council of Matara

Matara District.

1. Financial statements

1.1 Presentation of financial statements

Although financial statements of 2019 had been presented for the audit on 27 February 2020, they had not been certified by the Mayor as the Accounting Officer of Municipal Council of Matara. Auditor General's summary report of such financial statements and detailed management audit report have been sent to the Sabha on 15 June 2020 and 17 June 2020 respectively.

1.2 Qualified opinion

It is my opinion that financial status of Municipal Council of Matara as at 31 December 2019 and financial performance thereof for the year ended by the same day are in compliance with generally accepted accounting principles and shown true and fair status by financial statements except the impact caused by matters described in the part of basis for the qualified opinion in this report.

1.3 Basis for the qualified opinion

(a) Accounting deficiencies

| | Audit observation ----- | Recommendation ----- | Comments by the Accounting Officer ----- |
|------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|--------------------------------------------------------------|
| (i) | Stock of Ayurvedic drugs of Rs.256,483 and remaining stock of Rs. 526,812 of vehicle washing center existed as at final day of the previous year were not counted. | It should be counted accurately. | Actions will be taken not to cause such situation in future. |
| (ii) | Due to less counting of Rs.811,066 of issuing from store in previous year, final stock had been stated in financial statements by adding that value. | It should be counted accurately. | It is to be corrected in preparing the final account 2020. |

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| (iii) | Allocation had not been made under different creditors to purchase gully worth Rs.8,750,000 for which obligations had not been made with suppliers even by the end of the year under review. | It should be counted accurately. | be | Allocation had to be made for the same expenditure in two years. |
| (iv) | Retention in hand Rs.479,296 of construction of industries which should be paid at the end of the year under review had been included in the balance of creditors and deposit. | It should be counted accurately. | be | It is to be corrected in preparing the final account 2020. |
| (v) | In the adjustment of the change in between balance of motor vehicles and carts stated in financial statements at the end of the previous year and physical balance of motor vehicles and carts of the Sabha in journal 4, value of 02 tractors worth Rs.1,669,000 was not included and as a result balance of the said account had been counted Rs.1,669,000 less. | It should be counted accurately. | be | Not commented. |
| (vi) | The balance of the assessments control account had been stated less by Rs. 8,284,866 into accumulated fund through journal note 51 without identifying reason for the difference of Rs. 8,284,866 between assessment control account and balance of assessment software note as at the end of the previous year. | It should be counted accurately. | be | Not commented. |
| (vii) | It had been adjusted into accumulated fund through journal note 49 without identifying reasons for the difference of Rs.7,466,103 between trade complex loan account of bus stand and assuring balances as at the end of the previous year. Accordingly, accumulated fund account had been stated over by Rs.7,466,103. | It should be counted accurately. | be | It is to be corrected in preparing the final account 2020 by obtaining a proof of the loan balance. |
| (viii) | Creditor allocation had been made over by Rs.969,719 for industries construction expenditure as at the end of the year under review | It should be counted accurately. | be | Difference in between estimated amount and value of bills to be corrected through journal notes. |

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| (ix) | Rs.1,775,587 had been over counted for industries debtors due at the end of the year under review. | It should be counted accurately. | It is to be corrected in preparing the account 2020. |
| (x) | Value of Rs.1,389,280 had been excluded from accounts without duly identifying cost of fixed assets which had been removed at auction in the previous year. | It should be counted accurately. | Fixed assets excluded cannot be correctly identified by documents. |
| (xi) | Creditors allocation had not been made for the total subscription of Rs.46,898,225 which should be paid into Local Govt. Pension fund at the end of the year under review. | It should be counted accurately. | Information are to be sent to Pensions Dept. and future actions will be taken. |
| (xii) | Allocation had not been made in accounts for audit charges for the year under review. | It should be counted accurately. | It is to be corrected in preparing the account 2020. |
| (xiii) | Creditor allocation of Rs. 50,000,000 had been made for construction of filling station though not entered into agreements with the contractor in the year under review. | It should be counted accurately. | Allocations had to be made in two years for the same expenditure. |

(b) Non - reconciled accounts

| Audit observation ----- | Recommendation ----- | Comments by the Accounting Officer ----- |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|-------------------------------------------------|
| Observed a difference of Rs.17,934,458 between balances of 07 account subjects amounting total Rs.77,132,972 included in financial statements and balances stated in related documents/ schedule concerned. | Actions have to be taken to reconcile differences of balances concerned and make accounts correct. | Actions will be taken to correct. |

(c) Unavailability of documentary evidences needed for the audit

| Audit observation | Recommendation | Comments by the Accounting Officer |
|----------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| It was unable to satisfactorily observe in the audit 06 account subjects amounting total Rs.65,109,174 since needy information were not presented. | Evidences should be presented to prove account balances stated in financial statements. | Inquiries are being made to update fixed assets register and regarding differences. |

1.4 Non - compliance

1.4.1 Non - compliance with rules, regulations and management decisions.

Occasions of Non - compliance with rules, regulations and management decisions are as follows.

| Reference to rules, regulations and management decisions | Non - compliance | Recommendation | Comments made by Accounting Officer |
|---------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|-------------------------------------------------------|------------------------------------------------------------------------------------------|
| (a) Financial Regulation 571 of Republic of Sri Lanka. | Actions had not been taken to dispose deposits lapsed 2 years and valued Rs.9,749,163. | Actions have to be taken as per Financial Regulation. | Actions will be taken to adjust in the year 2020. |
| (b) Pub. Admin. Circular No. 30/2016 dated 29 December 2016 | Emission test of 21 vehicles belonged to Municipal Council of Matara had not been done. | Actions have to be taken as per circular | Emission test carried out after repair |
| (c) Circular of Secretary to the Treasury No. 01/2018 dated 19 March 2018 | Actions had not been taken to remove 10 vehicles and machines which were not used. | Actions have to be taken as per circular | Actions to be taken to remove after cancellation of original registration of 6 vehicles. |
| (d) Sections I, 3 of Chapter V and Chapter XII of | An Office Employee had reported to a post of | Actions have to take as per | Office Employee was not discharged |

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|---------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Establishment code. | Athletic Trainer without been discharged from post as per section I of Chapter V of Establishment Code and he had been reinstated in the service non-compliant to section 3 of Chapter V of Establishment Code. In addition, casual leave of 06 days had been approved as per chapter XII of Establishment Code in absence to service without early notice. | Sections I, 3 of Chapter V and Chapter XII of Establishment code . from the post since he had not informed in writing his appointment of Athletic Trainer and no reinstatement is needed as not so discharged. Then Municipal Commissioner had been orally informed by him his absence to the service and leave has been approved when reported back to service. |
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2. Financial Review

2.1 Financial Results

According to financial statements forwarded, income exceeding recurrent expenditure of the Council was Rs.122,101,310 for the year ended by 31 December under review and in parallel to that income exceeding recurrent expenditure in the previous year was Rs.132,779,713.

2.2 Financial control

| Audit observation ----- | Recommendation ----- | Comments by the Accounting Officer ----- |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|---------------------------------------------------------------------------------------------------|
| (a) No actions had been taken as per financial regulation 189 of Republic of Sri Lanka regarding 10 dishonoured cheques valued Rs.34,943 for a period between from 10 to 28 years. | Actions have to be taken as per financial regulation. | Future actions will be taken by referring to the Council since clear information cannot be found. |

- (b) In the current assets forge assets of Rs.169,360 had been included since robbed cash balance was included under current assets and no future actions had been taken pertaining to robbery of that cash. Corrective actions have to be taken. No clear information regarding this robbed cash balance is reported and relevant balance has been coming from previous years.

2.3 Income Administration

2.3.1 Estimated income, billed income, collected income and arrears of income.

Information of estimated income, billed income, collected income and arrears of income pertaining to year under review and previous year are as follows.

| Source of income | 2019 | | | | 2018 | | | |
|------------------|--------------------|--------------------|--------------------|---------------------------------|--------------------|--------------------|--------------------|---------------------------------|
| | Estimated income | Billed income | Collected income | Total arrears as at 31 December | Estimated income | Billed income | Billed income | Total arrears as at 31 December |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Rates & taxes | 38,761,718 | 38,053,546 | 44,125,891 | 50,003,159 | 41,384,570 | 38,481,722 | 43,527,300 | 56,075,504 |
| rentals | 29,123,440 | 31,946,301 | 30,289,545 | 60,416,031 | 26,381,440 | 30,606,691 | 29,824,618 | 58,759,275 |
| Permit fees | 30,183,550 | 27,224,055 | 10,654,745 | 17,955,970 | 26,874,700 | 30,135,817 | 25,683,882 | 1,386,660 |
| Other income | 157,304,310 | 176,479,328 | 123,468,522 | 380,590,008 | 93,542,300 | 113,606,910 | 4,791,667 | 327,579,202 |
| Total | 255,373,018 | 273,703,230 | 208,538,703 | 508,965,168 | 188,183,010 | 212,831,140 | 103,827,467 | 443,800,641 |

2.3.2 Rates and Taxes

| Audit observation | Recommendation | Comments by the Accounting Officer |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|------------------------------------|
| Rates Initial deficit was Rs.47,569,728 and Rs.83,915,911 was to be recovered with billings and surcharges of Rs.36,346,183 of the year. Deficit at the end of the year was higher as Rs.49,835,575 since total recoveries within the year was Rs.34,080,336 being 41 per cent. | Arrears of income should be recovered soon. | Not commented |

2.3.3 Rentals

| Audit observation | Recommendation | Comments by the Accounting Officer |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
| (a) Boutique rentals Initial deficit was Rs.46,582,253 and Rs.70,385,318 was to be recovered with billings of Rs.23,803,065 of the year. Deficit as at the end of the year was higher as Rs.46,966,903 since total recoveries within the year was Rs.23,418,415 being 33 per cent. | Arrears of rentals should be recovered soon. | Actions are being taken to recover arrears. |
| (b) Ground Taxes Initial deficit was Rs.6,791,736 and Rs.7,670,931 was to be recovered with billings of Rs.879,195 of the year. Deficit as at the end of the year was higher as Rs.7,416,334 since total recoveries within the year was 7,670,931 being 33 per cent. | Arrears of income should be recovered soon. | Awareness through letters, referring for Arbitration Board and convene rent payers and made them aware for the purpose of recovering arrears. |

2.3.4 Permit fees

| Audit observation | Recommendation | Comments by the Accounting Officer |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|----------------------------------------------------------------|
| (a) Business Permit Fees | | |
| Initial deficit was Rs.7,338,545 and Rs.17,025,395 was to be recovered with billings of Rs.9,686,850 of the year. As at the end of the year deficit was Rs.7,457,795 since total recoveries within the year was Rs.9,567,600. | Arrears of income should be recovered soon. | Actions will be taken to recover arrears through filling case. |
| (b) Notice Board Fees | | |
| Initial deficit was Rs.11,265,342 and Rs.26,831,522 was to be recovered with billings of Rs.15,566,180 of the year. As at the end of the year deficit was Rs.10,495,174 since total recoveries within the year was Rs.16,336,348 being 61 per cent. | Arrears of income should be recovered soon. | Actions will be taken to recover arrears through filing case. |

2.3.5 Other income

| Audit observation | Recommendation | Comments by the Accounting Officer |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------|
| Courts fines and stamp fees | | |
| Stamp fee of Rs.373,598,210 and court fines of Rs.313,897 was to be received from Chief Secretary and other officers from Provincial council at the end of the year under review. | Arrears of court fines and stamp fees should be recovered soon. | Actions will be taken to collect arrears of income. |

3. **Operating Review**

3.1 **Performance**

As per section 4 of Municipal Council Ordinance, the Council was expected to perform duties such as regularizing and control of public health, public utilities services and matters pertaining to public roads, well being of people, convenience and welfare. Matters revealed pertaining to performance of such functions are as follows.

| Audit observation | Recommendation | Comments by the Accounting Officer |
|-------------------|----------------|------------------------------------|
| ----- | ----- | ----- |

(a) **Sub Statutes**

In the year under review, the Council had commenced 06 vehicle parking places by charging Rs.50/= and Rs.100/= and sub statutes had not been passed as per section 272 of Municipal Council Ordinance. This process had been stopped on the way following public complaints.

Sub statutes have to be passed as per section 272 of Municipal Council Ordinance.

Actions will be taken in the future.

(b) **Delays in achieving functions**

Agreements had been entered into with 02 approved societies and one contractor for the purpose of fulfilling 03 construction industries with an agreement value of Rs.3,749,093 in the year under review and works had not been commenced even at the end of the year under review. In addition, advance of Rs.462,235 had been paid for one industry agreed.

Projects have to be carried out soon.

Due to continuous heavy rains experienced during period of approving these industries, they were unable to be completed within the year 2019.

(c) **Solid Waste Management**

Mountain of garbage with a height of 20 feet had grown in Kotawila as a result of improper disposal of decomposable and non recycling garbage into garbage management site of Kotawila within period of 04 years from the year 2015 to October in the year under review.

Garbage should be disposed without causing environmental issues.

Process of producing composed fertilizer by using decomposable garbage had to be stopped because composed site and garbage categorizing premises belonged to Municipal Council of Matara had to be given to Bio Green Cycle Private Company for the construction of Waste to Energy project. Due to incompleteness of construction works of the project within the expected period of time, garbage collected had to be disposed into the open ground causing a mountain of garbage. By now the said mountain of garbage has been covered with soil and actions are to be taken to make that place a green zone by tree planting.

3.2 Management Inefficiencies

| Audit observation | Recommendation | Comments by the Accounting Officer |
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| ----- | ----- | ----- |
| (a) In sub division of the land called Pearl Cliff situated at Browns Hill Road containing in extent 03 acre 02 rood 37.76 perches, extent of 01 rood 19.7 perches being 10 per cent of total land | Actions should be taken as per Gazette Notification | The land has not been shown divided and it was decided at Public Petition Committee held on 20 January 2020 under decision No. |

should have been given reserved for public purposes and assigned to the Council. But a belt of land of 15.7 perches with a deep slope had been reserved for the Council.

2019 /MMC/ under public petition 3 to again divide the land and assign within 14 days and the said decision was approved by Council decision No. 203/ L.8 at General Meeting held on 11 January 2020.

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|-----|--------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (b) | Council had not taken legal actions pertaining to 11 unauthorized trade shops constructed blocking pedestrian pavements and public venues. | Actions should be taken to remove unauthorized trading. | It has been informed to remove unauthorized trading and by now a few of them have been removed and instructions have been given to take actions to remove other businesses from such places. |
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3.3 Human Resources Management

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|-------------------|----------------|------------------------------------|
| Audit observation | Recommendation | Comments by the Accounting Officer |
| ----- | ----- | ----- |

(a) **Vacancies and excess of cadre.**

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|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 05 posts of senior level, 03 at tertiary level, 23 posts of secondary level and 51 posts of primary level are vacant in the Council and actions had not been taken to regularize even by the end of the year under review the surplus of cadre of 110 including 12 additional posts included in the cadre of secondary and tertiary level. | Actions should be taken to fill vacancies and regularize the surplus. | At the present 02 posts of senior level have been filled and actions are been taken to recruit for one post. Measures also have been taken to recruit certain posts of tertiary and secondary level and for the vacancies of Public Health Inspector and Midwife officers from Health Director's office are employed. Employees have been recruited for the vacancies of primary sector and actions will be taken to recruit for remaining vacancies. Excessive posts have been forwarded to Commissioner of Local Government Actions have to be taken to recover employees loan soon..through a reasonable report for the future requirements in the years 2020 and 2021. |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

(b) **Employees loan**

By the end of the year under review loan balance of Rs. 330,229 was to be recovered from loan as distress loans, festival advances, special loans, vehicle loans and flood advances before 10 years to given to employees who retired, deceased, vacant of posts and transferred before 10 years.

Actions have to be taken to recover employees loan soon.

This matter was referred to the Council to take a suitable action. As per decision of the Council this has been referred to Asst. Commissioner of Local Government for the approval of the Minister concerned in order to write off from books and no reply or instruction has been given yet.

3.4 Operating inefficiencies

| Audit observation ----- | Recommendation ----- | Comments by the Accounting Officer ----- |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (a) Sanath Jayasuriya playground had been given for <i>Sahithya Pradeepa Ruhunu Poth Wasanthaya</i> free of charge and Sabha decision. During period of the exhibition no fees had been charged from 41 sales outlets, 31 advertisement boards and flag posts. | Actions should be taken to recover fees concerned.. | Not commented. |
| (b) A third party had been authorized to charge fees from 06 vehicle parking places without tender procedure. | Actions should be taken as per tender procedure. | Actions have been taken to charge fees from vehicle parked in pedestrian platforms as a pilot project as per Sabha decision No. 07:01 (2018/MMC/Financial Pr/11) dated 11 December 2018. |
| (c) As per planning and development regulation of development plan (volume II) for Matara urban development area of 2010 – 2030, building limits were not as required of the development permit forwarded the covering approval for the unauthorized building built for commercial use at Dharmapala Mawatha, Kotuwegoda and fees had been charged less Rs. 298,740. In addition 3 vehicle parking places had been charged less Rs.1,000,000. | Actions should be taken as per planning and building regulation of development plan (volume ii) 2010-2030 for urban development area of Matara. | Fess has been charged in spite of limits considering as an old building based on the report of Technical Officer – in – Charge of the area. |

- (d) Tax arrears of Rs.4,428,352 was to be recovered as at 31st of July of the year under review from beneficiaries of Kotuwegoda Housing Complex which id belonged to the Council while tax arrears of Rs. 90,960 was to be recovered from 08 beneficiaries of Housing Scheme of Old Road, Kotuwegoda.

Actions have to be taken to recover arrears with no delay.

Future actions would be taken if places of which names are stated in the register of ground tax are belonged to the Council after deciding the ornership of land of housing scheme of Old Tangalle Road.and future acti As at 31st of July of the year under review ons to be taken regarding beneficiaries of Old Market Road by referring the report from Revenue Inspector to the Financial Committee.

3.5 Improper transactions

Audit observation

Recommendation

Comments by the Accounting Officer

Annual water bill of Walgama public library which is belonged to the Council was Rs. 146,568 for the year under review while monthly water bill was Rs.12,214. But in the previous year annual water bill was Rs. 8,432 being monthly bill was low as Rs. 703. Accordingly unusual use of water observed.

Proper inquiry has to be held in order to recover from those responsible.

A leakage before meter was revealed and the issue was solved by laying a new pipe line by the Plumber of the council.

3.6 Assets Management

3.6.1 Non assurance of protection of assets

| Audit observation | Recommendation | Comments by the Accounting Officer |
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| (a) Football ground of Uyanwatta which is belonged to the Council had been used by Football Federation since the year 2009 free of charge and without proper assignment. A building equipped with a stadium and office had been built within this land which is worth over Rs.5,000,000 without an approval from the council and Football Federation had earned an income of Rs.1,302,100 by renting out this stadium for the period from the year 2009 to June of the year under review. | Proper assignment has to be done. | Observation accepted. |
| (b) No action had been taken to resurvey and correct every property belonged to local govt. authorities as per letter of instructions bearing No. SLG/15 dated 19 March 2007 issued by Commissioner of Local Government. | Actions should be taken as per the letter of instruction. | At the moment corrective actions are being taken by Industries Division of the Council.. |
| (c) 03 lands of 40.91 perches which are belonged to Council were being used by private parties without approval of the Council. | Legal actions have to be taken immediately. | Not commented. |
| (d) Title deeds and survey plans had not been prepared for 99 council lands containing in extent 101 are 01 rood 2.43 perches. | Title deeds and survey plans should be prepared. | Actions will be taken in future with no delay to prepare title deeds and survey plans. |

3.6.2 Idle and under utilized assets.

| Audit observation ----- | Recommendation ----- | Comments by the Counting Officer ----- |
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| (a) 57 lands containing in extent 07 acre 03 roods 18.235 perches had been without utilizing for an productive purpose. | They should be used for a productive purpose. | Not commented. |
| (b) In the field inspection on 30 th July of the year under review it was observed that 24 vehicles and machineries remained inactive within the Council premises. | They should be maintained active. | Vehicles parked in the vehicle park have become this condition since lack of buildings to park vehicles. |

3.7 Procurement

3.7.1 Procurement plan

| Audit observation ----- | Recommendation ----- | Comments by the Accounting Officer ----- |
|------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|-------------------------------------------------------------------|
| A proper procurement plan had not been prepared for the year under review and no actions had been taken to update at the end of each quarters. | A proper procurement plan has to be prepared and maintained updated. | Procurement plan will be prepared submitted for the year 2020 and |

3.7.2 Supplies and services

Audit observation

Recommendation

Comments by the
Accounting
Officer

An expenditure of Rs.3,477,033 had been borne in the previous year for installation of equipment for the children park in coastal belt of Kotuwegoda, Matara on allocation of secondary health development plan in the year 2017 and feasibility report had not been prepared before installation. No attention had been paid by Technical Evaluation Committee for related matters in deciding purchase from the institution who had submitted highest quotation exceeding Rs.1,099,990 than the institution who had submitted the lowest quotation. In addition no technical report had been obtained for standard of equipment after installation. All equipment had been decaying by 10th September 2019.

Evaluation has to be made as per provisions of Procurement Guide of 2006.

Children park has been set up in this place due to unavailability of another spacious and easily accessible place for a children park.