

Gampaha Municipal Council
Gampaha District

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year 2019 had been presented for audit on 22 July 2020 and the report of the Auditor General on 19 November 2020 and the Detailed Management reports on 04 December 2020 had been sent to the Chairman of the Council.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the, basis for qualified opinion under Section of my report the financial statements give a true and fair view of the financial position of the Gampaha Municipal Council as at 31 December 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

(a) Accounting Deficiencies

Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
(a) Although the issue of stores stock items as at 31 December 2019 amounted to Rs.37,497,152, it was shown in financial statements as Rs.38,420,400 and as such the expenditure was overstated by an amount of Rs.923,248 and stores stock items were understated by that amount.	Correct values must be accounted.	Issue of stores stock was understated in the basic sub register and as such action will be taken to rectify relevant stores registers and reports.
(b) An amount of Rs.174,261 to be recovered for no pay leave from 39 employees of the council as at 31 December 2019 had not been shown as Debtors.	Recoverable balances should be accounted.	Agreed that the recoverable No pay leave and refundable salary were not shown as debtor in the final accounts.
(c) Contribution and surcharges to be paid for the Employees Provident Fund were Rs.3,884,328 but it was shown in the Financial statements as Rs.3,500,000 and as such the Creditors were understated by an amount of Rs.384,328.	Correct values must be accounted.	The amount set aside as Creditors was understated by Rs.384,328 and as such it defects will be rectified by the opening balance as at 01.01.2020.

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| (d) | Provisions amounting to Rs.67,403,003 left relevant for 07 unidentified capital expenditure from the preceding year and provisions amounting to Rs.253,588,643 left relevant for 136 expenditure items in the year under review had not been shown as Creditors in the financial statements. | Specific credit amounts should be identified and accounted. | Since the activities of the credit provisions in the preceding years had not been done and late to fulfill as such provisions left over from projects that are agreed or proposed were set aside as creditor provisions as at 31.12.2019. |
| (e) | A payable amount of Rs.3,874,348 for 77 projects relevant to the preceding years and a payable amount of Rs.540,979 for the purchase of library books for the year under review were not shown in the accounts as creditors and library books purchased for an amount of Rs.1,996,484 in the year under review had not been accounted as Fixed assets. | Correct values must be identified and accounted. | The relevant credit provisions were missed and this had happened due to failure to identify library books amounting to Rs.1,996,484 as fixed assets. |
| (f) | Two construction projects of an unagreed Helabojunhala and Yakkala Shopping complex in the year under review and an amount of Rs.131,938,000 had been provided in accounts yet another amount of Rs.135,431,465 was provided as creditors under Decentralized Provisions. | Correct values must be accounted. | Action will be taken to rectify Credit provisions and Account. |
| (g) | The difference of Rs.1,263,914 between the Fixed assets account and Capital Contribution by Income account was not identified and was debited into the Cumulative fund account. | Should be accounted correctly. | The unbalanced amount between the Fixed assets and Capital contribution by Income account and Donation contribution accounts was Rs.1,263,914. and that balance was reconciled. |
| (h) | Disposed library books amounting to Rs.18,104 was shown in financial Statements as Rs.181,014. | Should be accounted correctly. | The value of the disposed library books amounted to Rs.18,014 and an accounting deficiency had occurred since it was copied as Rs.181,014. |

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| (i) | Arrears for Shop rent fins of the Urban Development project amounting to Rs.971,910 had not been accounted. | Correct value should be accounted. | The values were not shown in accounts with regards on collecting the fines till a specific decision of the Committee on Petition was received. When the shop owners are taking action to pay for the shop rooms action will be taken to. |
| (j) | A debit amount of Rs.679,493 of extra Assessment relevant to the year under review was credited to the Cumulative Funds. | Should be accounted correctly. | It was taken into accounts after reconcile with the cumulative fund as ancillary to the complete period of time as a rectification of a defect. |
| (k) | 21 items which had not been purchased amounting to Rs.99,856 in the year under review were accounted under Fixed Assets and 02 Equipment amounting to Rs.75,480 were accounted under furniture and Fittings. | Should be accounted correctly. | Action will be taken to rectify Fixed Assets account. |
| (l) | 12 items purchased for projects amounting to Rs.419,300 and 34 consumer items amounting to Rs.1,954,370 were accounted under Fixed assets. | Should be accounted correctly. | Action will be taken to rectify Fixed Assets accounts. |
| (m) | 12 items bought for the repair of vehicles in July 2019 amounting to Rs.200,500 had been accounted under Fixed assets. | Should be accounted correctly. | Action will be taken to rectify. |
| (n) | A network system bought in the year under review was accounted under Furniture and Fittings as Rs.63,900 and under Fixed Assets as Rs.166,100. | Should be accounted correctly. | Action will be taken to rectify. |
| (o) | Although the received from Billed Capital Grants as at the year under review was Rs.51,753,398 it was accounted as Rs.32,630,345. | Should be accounted correctly. | Action will be taken to disclose the correct balances. |

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| (p) | The received for capital projects as at the year under review was Rs.29,989,676 that was accounted as a Project Deposit instead of crediting to the Debtors account. | Should be accounted correctly. | Action will be taken to rectify. |
| (q) | The total of 04 payable balances of the preceding year amounting to Rs.1,389,416 were not bought forward as opening balances for the current year. | Should be accounted correctly. | Action will be taken to give comment later. |
| (r) | The contribution to the Employees Trust Fund to be paid for 54 employees in the year 2015 amounting to Rs.432,313 and the relevant surcharges amounting to Rs.216,150 were not shown in Creditors accounts. | Should be accounted correctly. | Will be shown under Creditors accounts and Expenditure accounts correctly. |
| (s) | The House rent amounting to Rs.100,000 paid in 27 September 2018 was not shown in advance accounts. | Should be accounted correctly. | Action will be taken to rectify accounts. |

1.3.2 Receivable and Payable Accounts

Audit Observations

Entertainment Tax amounting to Rs.5,463,439 to be received from 04 Cinema halls since 2010 include an amount of Rs.1,543,525 due from more than 10 years, an amount of Rs.2,182,421 due from 5 – 10 years and an amount of Rs.1,054,475 due from 2 – 5 years.

Recommendations

Action should be taken to recover receivable balances.

Comments of the Accounting Officer

Legal action will be taken after reaching a final decision regarding the recovering of the arrears.

1.3.3 Unreconciled Accounts.

Audit Observations

There was a difference of Rs.76,639,470 between Accounts and Sub schedule related to 05 accounting items.

Recommendations

Action should be take to rectify Accounts and Registers.

Comments of the Accounting Officer

Action will be taken to rectify in future.

1.3.4 Lack of documentary evidence for audit.

Audit Observations

Recommendations

Comments of the
Accounting Officer

Proper approval, Registers and schedule were not presented regarding the opening balance of Arrears of Assessment amounting to Rs.1,602,671, the opening balance of assessment pre received amounting to Rs.1,047,068, write off of Capital Grants Debtors amounting to Rs.40,811,186 and the adjustment done for the Cumulative Fund account amounting to Rs.57,752,346.

The relevant documents should be updated and maintained.

Action will be taken to prepare the relevant registers and sub registers in future.

1.4 Non Compliance

1.4.1 Non-compliance with Laws, Rules, Regulations and Management Decisions.

References to the Laws, Rules, Regulations and Management decisions

Non-compliance

Recommendation

Comments of the
Accounting Officer

(a) Paragraph 20 of the 1946 Assessment tax and Valuation Ordinance No.30.

Although Assessment should be valuated at least per 05 years, the council is collecting Assessment in the present form 24,036 of total property based on the Valuation of the Head office in 2011 and Yakkala Sub Office in 2006.

Action should be taken according to the guidelines of the Act

The Valuation Department had been informed to do a new Assessment.

(b) Financial Regulation of the Democratic Socialist Republic of Sri Lanka

(i) 371

Action had not been taken to settle 02 Advance balances amounting to Rs.691,745.

Action should be taken to settle Advance in exigent work has finished.

Action will be taken to settle received Advance in exigent work has finished.

(ii) 396 (d)

Action had not been taken relevant to issued cheques due 06 months

Action should be taken in accordance with the Financial

Action will be taken according to the advice.

- (iii) 571 amounting to Regulations. Rs.93,950. Action had not been taken relevant to 842 general deposits more than two years amounting to Rs.22,939,561. Action should be taken according to the Financial Regulations for the deposits that exceed the proper period of time. Action will be taken to get the balances to the income after updating the Registers.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, the Recurrent Expenditure over Revenue of the Council for the year ended 31 December 2019 amounted to Rs.5,246,986 as compared with the corresponding Revenue over Recurrent Expenditure for the preceding year amounted to Rs.114,443,685.

2.2 Revenue Control

Audit Observations	Recommendations	Comments of the Accounting Officer
Action had not been taken according to the Financial Regulations regarding 05 dishonored cheques totaling to Rs.222,233.	Action should be taken according to Financial Regulations.	The relevant parties had been informed and Legal action will be taken for the unpaid values.

2.3 Revenue Administration

2.3.1 Estimated Income, Billed Income, Collected Income, and Arrears of Income

The details of the Estimated Income, Billed Income, Collected Income and Arrears of income for the year under review and the preceding year are shown below.

Source of Income	2019				2018			
	Estimated Income	Billed Income	Collected Income	Total arrears of income at 31 December	Estimated Income	Billed Income	Collected Income	Total arrears of income at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assessment and tax	69,209,420	86,320,761	67,210,697	41,689,628	56,790,384	57,891,101	56,026,008	36,363,153
Rent	39,205,893	32,969,470	23,846,305	3,504,382	4,186,282	4,086,824	4,284,538	3,438,447
Permit fees	6,650,000	6,162,328	3,391,920	240,411	2,745,000	3,045,150	3,232,788	107,087
Other income	110,559,070	81,439,177	103,687,456	133,521,814	185,288,525	169,377,380	262,862,452	102,864,318
	225,624,383	206,891,736	198,136,379	178,956,235	249,010,191	234,400,455	326,405,785	142,773,006

2.3.2 Performance in Collecting Revenue

Audit Observations

The Actual income of the preceding year amounted to Rs.326.4 million and in comparison, the Actual income of the year under review amounted to Rs.198.1 million and as such it was decreased by an amount of Rs.128.3 million. The main reason for this decrease is the decrease of miscellaneous income by an amount of Rs.159.2 million.

Recommendations

Action should be taken to collect income efficiently.

Comments of the Accounting Officer

Failure to receive the Stamp Fees income and decrease in the Capital Grant affected regarding this situation.

2.3.3 Assessment and Tax

Audit Observations

Arrears of assessment tax as at 31 December of the year under review included an amount of Rs.10,815,269 due from 1 – 3 years, an amount of Rs.6,044,854 due from 3 – 5 years, an amount of Rs.12,636,519 due from 5 – 10 years and an amount of Rs.2,575,014 due from more than 10 years.

Recommendations

Collection of arrears of assessment should be regularize.

Comments of the Accounting Officer

A special committee is to be established for the recovering of total arrears of assessment balance and to review and supervise the process of recovering of the arrears of income.

2.3.4 Business Tax

Audit Observations

Arrears of business tax as at 31 December of the year under review amounted to Rs.376,090 contained an amount of Rs.157,309 due from lesser than 1 year, an amount of Rs.196,481 due from 2 – 3 years and an amount of Rs.22,300 due in between 3 – 5 years.

Recommendations

A proper program should be initiated to recover arrears of business tax.

Comments of the Accounting Officer

Action will be taken to recover arrears balances of business tax without delay.

2.3.5 Licenses Fees

Audit Observations	Recommendations	Comments of the Accounting Officer
Arrears of Licenses fees as at 31 December of the year under review contained an amount of Rs.157,174 due lesser than 1 year and an amount of Rs.83,237 due from 2 – 4 years.	Arrears of licenses charges should be recovered.	Actions will be taken to recover the arrears of balances.

2.3.6 Other Income

(a) Telephone Transmission Towers

Audit Observations	Recommendations	Comments of the Accounting Officer
According to the survey reports of the year under review, there were 03 network service with 12 telephone towers. Assessment of 06 towers were not valued and an amount of Rs.88,866 was not collected from the 04 towers that were valued.	Arrears of Charges should be recovered without delay.	Action will be taken to recover arrears of charges for 2019 without delay.

(b) Vehicle Parking Charges

Audit Observations	Recommendations	Comments of the Accounting Officer
Attention had not been drawn to collect an amount of Rs.1,641,426 from 5 parking lots as at the end of the year under review.	Action should be taken to recover the arrears of balance.	Action will be taken to recover by taking legal action in exigent.

(c) Rest House Charges

Audit Observations	Recommendations	Comments of the Accounting Officer
An arrears amounting to Rs.3,453,276 was to be recovered from the Gampaha Rest House as at the end of the year under review.	Action should be taken to recover the arrears balance.	Action will be taken to inform and take constant follow up actions on the collection of arrears of charges.

2.3.7 Stamp Fees

Audit Observations	Recommendations	Comments of the Accounting Officer
The stamp fees income amounting to Rs.2,139,880 of 2015 and 2016 was lost since it had exceeded 03 years as according to the Paragraph 02 of the Western province Stamp fees ordinance No.04, 2010.	Action should be taken according to the ordinance and collect stamp fees.	The payments of the relevant stamp fees were not done by the Western Provincial Council due to a delay in the issue of the sub registers relevant to stamp duties by the Land Registrar.

3. Operational Review

3.1 Performance

Facts observed relating to the execution of activities by the Municipal Council in accordance with Paragraph 04 of the Municipal Council Act such as regulation of health of the general public, common utility services and public road facilities and maintenance of people's welfare, facilities and development are given below.

(a) By Laws

Audit Observations	Recommendations	Comments of the Accounting Officer
Although By laws should be enacted to perform 39 Key issues under the Paragraph 272 of the Municipal Council Act, yet only 34 By laws were enacted by the council even as at 31 December 2019. 05 By laws were not enacted regarding formalization of issue of advertisements and collection of fees, formalization of parking spaces, collection of fees related to Crematoriums, collection of Service fees and construction of Telephone towers.	Required By laws should be enacted.	Action will be taken in future.

(b) Action Plan

Audit Observations	Recommendations	Comments of the Accounting Officer
Although an action plan was prepared for the year 2019, yet the sub goals expected to be done by the relevant sectors as 07 of the Health sector,	The relevant goals should be fulfilled according to the	Action will be taken to reach goals in the future.

06 of the Engineering sector, 02 from the Law sector, 07 from the Veterinarian sector and Internal Activities of the Internal Audit Section could not be fulfilled during the year under review.

Action Plan.

(c) Failure to make Provisions

Audit Observations

Provisions were not made in the budget for the projects of construction of the Minuwangoda road night fair and the Yakkala multi purpose Construction Project estimated by the annual plan to be Rs.21.2 million and as such they were not fulfilled.

Recommendations

Provisions should be made in the budget after identifying the expected plans.

Comments of the Accounting Officer

The project was not included in the budgetary documents since proper approval was not taken after preparing the proposals.

(d) Failure to Perform Expected Activities

Audit Observations

Although Rs. Two million was provided for the donation for the Community Boards in the budget of the year 2019, a preparation was not made for the purchasing and giving donations for the sum and yet it was shown that the objective was to develop Daham schools yet no such work was done. Also, a follow up was not done by the Municipal Council regarding the equipment given to the community boards in the preceding years.

Recommendations

The expected activities to be done should be finished in the year.

Comments of the Accounting Officer

Although it was included in the budget in the expectation of receiving the expected income yet since the income was not received the said work could not be done.

(e) Delay in Performing Duties

Audit Observations

The project of constructing a Hela Bojunhala by Rs.2,048,000 in the Municipal Council premises before 31 December 2019 had not been fulfilled.

Recommendations

Action should be taken to finish the projects expected to be finished after providing provisions within the year.

Comments of the Accounting Officer

The provisions of the year 2019 was not sufficient.

(f) Solid Waste Management

Audit Observations	Recommendations	Comments of the Accounting Officer
(i) A private contractor was selected for the disposal of waste form 08 August 2019 without complying the Government Procurement Procedures and an agreement was not signed according to the Paragraph 8.9 (b) of the Procurement Guidelines.	Action should be taken according to the Government Procurement Procedures.	Waste is disposed due to the advice from the Commissioner of Local Government and a decision of the council.
(ii) A method of measurement was not used for the disposal of waste and it was agreed to pay Rs.30,000 per load.	A correct method of measurement should be used.	A method of measurement is not done as at now and it was recommended to forward to an organization which takes waste by measuring.
(iii) According to the physical investigation done on 07 September 2020 on the location of disposal of waste it was revealed that waste was piled in a way that is harmful to Health and Environment.	Disposal of waste should be done in a way that is not harmful to Health and the environment.	Advice was given by the Public Health Inspector regarding this.
(iv) An environmental license was not taken for the location of disposal of waste. Although the council Health Inspector was ordered by the Gampaha Higher Court to be aware of the safety of health in the location of disposal of waste and to report it, yet the council had not taken action regarding this.	Action should be taken according to the Rules and Orders.	Advice had been given to obtain an Environmental Permit.

(g) Goals of Sustainable Development

Audit Observations	Recommendations	Comments of the Accounting Officer
It was planned to initiate 12 targets in the year under review by the council. Although 48 activities were to be done under the said target yet only 18 activities were done.	The planned activities should be done within the year.	No comments were given.

(i) Unfulfilled projects.

Audit observations

Although three activities of promoting Mobile shops, aloe vera cultivation for the empowerment of women's economy and the construction of a Market for the sale of village manufactured food in Yakkala – Gampaha towns had been done in the year 2019, since provisions were not made by the budget for the cookery program which had been provided provisions amounting to Rs.30,000 and urbanization of population which had been provided with provisions amounting to Rs.3,700,000 and maintenance of the Play grounds owned by the council had not been fulfilled.

Recommendations

Action should be taken to provide budgetary provision for expected plans, and they should be done.

Comments of the Accounting Officer

Unplanned projects were done according to the necessity and some planned projects could not be done.

(ii) Failure to obtain expected benefits.

Audit Observations

Although 10 months was past after the construction of a public toilet near the Gampaha Hospital complex after spending an amount of Rs.2,000,000 yet the toilet system was not open for the public use.

Recommendations

Expect target should be met from the constructed projects.

Comments of the Accounting Officer

Maintenance and development work will be done under the relevant utilities in the future.

3.2 Management Inefficiencies.

Audit observations

- (a) The action taken by the Council to collect the receivable income from arrears of 17 shop rooms from the Urban Development project amounting to Rs.3,191,756, 48 other shop rooms belonging to the said project amounting to Rs.10,596,383 and as such an arrears amount of Rs.13,788,139 were in a poor condition.

Recommendations

Receivable income should be collected in exigent.

Comments of the Accounting Officer

Action is being taken by the Revenue Sub Committee relevant to the collection of arrears of rent from the shop owners with agreements by completing all information and preparation of a proper methodology.

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| (b) | Agreements had not been signed for 150 various shop rooms given by the council on the basis of rent. | Proper agreements should be entered when renting shop rooms. | It was decided that action is to be taken to acquire all shop rooms which had evaded payments on the basis of failing to pay the preceding fees and failure to pay the transfer fees. |
| (c) | Although the Roads belonging to the Municipal Council was 2249km as at 31 December 2019, yet they were not Gazette and plans were not prepared. | Action should be taken to gazette the roads and prepare plans in exigent. | Action is being taken to obtain plans from the Department of Surveys since plans are needed to gazette roads. |
| (d) | 104 mamoties purchased for an amount of Rs.99,320 on 21 January 2019 under provisions of Members for distributions but distribution had not been done even up to 06 June 2020. | The relevant mamoties should be distributed as according to the plans in exigent. | Action will be taken to distribute the remaining mamoties as according to the council and other needs. |
| (e) | The council owned 99 Community Facility lands and deeds was not obtained for 60 of the said land. Publication deeds were present for 19 of the land and letters of assignment of the Government Agent was present for 03 land. Also, weeds had grown and no proper protection for the cemeteries belonging to the council and they did not have name boards or fences. | Action should be taken to obtain deeds for the community land and prepare fences. | Deeds belonging to the council is being obtained through a special committee. Action will be taken to prepare fences for the relevant land and cemeteries in the future. |
| (f) | Although 750 Plastic chairs with back amounting to Rs.798,750 bought on 17 June 2019 and 20 x 20 canopy huts amounting to Rs.1,125,000 bought on 15 August 2019 for distribution to Community boards, they were piled in the main office building without distribution even up to September 2019. | Action should be taken to distribute in exigent. | Distribution to Community boards was not done due to the election and action will be taken to distribute in future. |

3.3 Human Resource Management

(a) Vacancies of Positions

Audit Observations	Recommendations	Comments of the Accounting Officer
(i) The Urban Secretary position from 19 May 2019 and 04 Revenue Inspector positions since 2015 to 2019 were left vacant.	Action should be taken to fill the vacancies.	The Department of Local Government had been asked to fill the vacancies in future.
(ii) 104 employees had been recruited on project basis for 49 departmental approved primary vacancies to the vacant Department of Management services without a proper recruitment procedure and paid an amount of Rs.26,511,440 from the council fund as at 31 December 2019.	Relevant permission should be obtained before recruiting contract basis employees.	Employees were recruited on contract basis and deployed on the need of the service after taking approval from the council.

(b) No pay leave

Audit Observations	Recommendations	Comments of the Accounting Officer
1177 ½ no pay leave had been taken by 39 employees in the year under review.	Action should be taken according to the relevant Rules and Regulations.	Noted that salary increment will not be given to the relevant employees in future.

(c) Staff loans

Audit Observations	Recommendations	Comments of the Accounting Officer
Action had not been taken to recover a loan balance of Rs.308,784 including a loan balance amounting to Rs.264,105 from 34 retired officers due from more than 10 years, a loan balance amounting to Rs.7,450 from 06 transferred employees, a loan balance of Rs.35,170 from 07 of those who were recruited to the Lanka Electricity Board.	Action should be taken to recover the loan balance.	There is a plan to be recovered in future.

(d) Staff Deposit

Audit Observations

Recommendations

Comments of the
Accounting Officer

Deposit was not taken from 34 officers that should be done deposit staff and deposit were collected from only 12 officers as according to the Circular of collection of deposit of the Commissioner of Local Government No.LP/05/2004 dated 09 July 2004. The collected employee deposits that were collected as such amounting to Rs.21,705 as at 31 December 2019 was not taken to the financial statements.

Action should be taken according to the relevant Circulars and the relevant deposit balances should be shown in the accounts.

Action will be taken to collect deposit from officers who had not deposited deposit and disclose the collected guarantees in accounts in future.

3.4 Assets Management

3.4.1 Assets were not documented

Audit Observations

Recommendations

Comments of the
Accounting Officer

A compactor, 02 tractors, and a Backhoe belonging to the council were not documented.

Relevant assets should be documented.

Action will be taken to document.

3.4.2 Failure to obtain income to be taken from Assets.

Audit Observations

Recommendations

Comments of the Accounting
Officer

There was an arrears of Rs.63,149 as at 31 December 2019 from three official quarters given to labors employed in the urban council since 1982 yet attention was not drawn to collect the arrears. It was also observed that external parties who are not employees of the council were living in 03 official quarters.

The income to be received from assets should be collected in exigent.

Action is being taken to collect from employee salary or from gratuity the arrears of rent that can be recovered houses rent arrears as at now and if there is a value that cannot be collected, legal action will be taken to recover.

3.4.3 Assets were not acquired

Audit observations

Action had not been taken to acquire 03 vehicles that was received as donations from the Ministry of Local Government in 2015.

Recommendations

Action should be taken to acquire the relevant assets.

Comments of the Accounting Officer

The documents relevant to acquire were sent to the Ministry of Local Government.

3.4.4 Idle/ Under utilized assets

Audit Observations

- (a) Although Bio gas was supplied to 06 houses for 14 years by the Bio gas manufacturing project, bio gas was supplied only to the cafeteria of the Council in 2019 and an income amounting to Rs.22,000 was earned. As such the said bio gas project was underutilized.

Recommendations

Maximum benefits should be obtained from the Bio gas unit.

Comments of the Accounting Officer

The residents had requested to give at a lower price and since the council had not agreed to it and the cafeteria had informed also that the said bio gas is not needed as at now.

- (b) 32 shop rooms situated in different locations were left idle as at the last day of the year under review.

Action should be taken to tender and rent after giving the relevant facilities.

Although the relevant action had been taken to do tender it. It was not taken due to the failure to provide the relevant facilities.

3.5 Identified Losses

Audit Observations

- (a) A surcharge amounting to Rs.1,419,487 was to be paid since contributions had not been done relevant to 18 Project employees employed in 2005 to 2015 to the Employees and the Council amounting to Rs.1,135,590 and Rs.1,703,386 respectively according to the 10 (1) and 10 (2) of the Employee Provident Fund Act.

Recommendations

Action should be taken to pay the contributions in the proper date as according to the Employees Provident Fund Act.

Comments of the Accounting Officer

Action will be taken to collect from the relevant officers if any payments happen after the verdict since there is an ongoing court case.

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| (b) | A surcharge amounting to Rs.216,150 was to be paid since an amount of Rs.432,313 was not paid to the Employee's Trust Fund for 54 employees in 2015. | Action should be taken to pay the contribution to the Employees Trust Fund on the relevant dates of the relevant years. | Action will be taken to recover from the relevant officers if any payments happen after the verdict since there is an ongoing Judiciary court case |
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3.6 Informal Transactions

(a) Payment of House Rent

Audit Observations

Although the Accountant did not entitle for an Official Quarters, yet he was given a house taken on Rent basis. An amount of Rs.100,000 of deposit and a monthly fee of Rs.22,000 totaling to Rs.330,000 was paid to an external party from October 2018 to December 2019. Also, an amount of Rs.125,713 was collected from an officer not entitle to an official quarters in the time period as according to the Paragraph 5.2.1 of the Section XIX of the Establishment Code and an expense of Rs.204,287 and the advance paid by the council amounting to Rs.100,000 was paid before the approval of the council was given.

Recommendations

House Rent cannot be paid to officers not entitle for an Official quarter. Payments should be done under the approval of the Council.

Comments of the Accounting Officer

The facility was given to him after collecting an extra amount other than the Official quarters rent and the remaining amounts was counted as an expense. The payments were done under the Coverage approval of the Mayor and the approval of the Council.

Purchase of Vehicles

Audit observations

Although the prior approval of the General Treasury and other guidelines should be closely followed as according to the Paragraph 2.2 of the Budget Circular No.1/2016 dated 17 March 2016 yet a vehicle amounting to Rs.4,315,575 was bought in 12 April 2019 under a decision of the General assembly.

Recommendations

Prior approval and other guidelines should be closely followed as according to the Budget Circular.

Comments of the Accounting Officer

Purchases were done under the decision of the council.

3.7 Controversy Transactions

Audit observations	Recommendations	Comments of the Accounting Officer
<p>(a) Of the 6060 plastic Flower pots that were bought for an amount of Rs.199,980 in 04 June 2019, 5000 flower pots was given to a Farmers' Association in 30 August 2019 and the remaining 1060 was kept in the warehouse. Also, it was observed in the physical investigation done on 01 October 2019 that 3000 flower pots that were obtained in the name of the Farmers Association was in a house of a Minister.</p>	<p>The relevant distribution should be done according to plans in exigent.</p>	<p>Distribution could not be done since it was a election period. A circular was issued stating that the relevant distribution should not be done.</p>
<p>(b) Although it was mentioned in the stock register that 150 chairs that were bought for an amount of Rs.149,250 in 08 April 2019 were issued to a Community Board yet such community was not present as at 27 September 2019 the chairs were stored in the house of a Minister. Also, the issue of the above items to the community board was not included in the 2019 action plan.</p>	<p>Should be sent immediately after informing the issuing of the relevant Community boards in the Warehouse registers. Also action should be taken to include in the action plan.</p>	<p>Such was not done by the Community Development Unit.</p>

3.8 Contract Administration

Audit Observations	Recommendations	Comments of the Accounting Officer
<p>(a) 24 project were not started even as at 25 June 2020 and all the projects were entered in to agreement December 2019.</p>	<p>Initiation of the project work should be made efficient.</p>	<p>Project was delayed since one society had taken several works in the financial limits. Also, the Covid – 19 pandemic also effected this.</p>
<p>(b) Agreements were not extended even as at 25 June 2020 regarding 19 unfinished projects amounting to Rs.23,487,120 which had started the activities in December of the current year.</p>	<p>Action should be taken to finish agreed projects as soon as possible.</p>	<p>The delay of the finish of work was due to the Health rules and regulations that was initiated by the council in the face of the Covid – 19 situation.</p>

- (c) The final bill amounted to Rs.16,320,023 was paid in 2018 and 2019 for the construction of the Yakkala Shopping Complex started for an estimated amount of Rs.122,655,339 in 2008 yet a confirmation by an Engineer regarding the work done was not present. Although the council had decided to do payments according to the recommendations of the Construction and Industrial Development Authority when paying the final bill yet such was not initiated. When doing the payments an amount of Rs.5,402,892 was included as Increase in price in the final work value amounting to Rs.10,917,130. Since the payments were delayed and due to the lack of supervision this extra amount had to be paid.
- Action should be taken to initiate after managing time and money of the relevant project.
- The project had to be postponed on several occasions due to the financial crisis emerged in the council. As such the time was extended. The amount was paid since the values of the construction material had gone up.