

**Matale Municipal Council**

**Matale District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year under review had been presented to audit on 02 April 2013 and the financial statements for the preceding year had been presented on 23 March 2012. The report of the Auditor General for the year under review was issued to the Mayor of the Council on 21 October 2013.

**1.2 Opinion**

In view of the comments and observations appearing in my report I do not express an opinion on the financial statements of the Matale Municipal Council for the year ended 31 December 2012 presented to audit.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Deficiencies**

The following observations are made.

- (a.) Project aid of Rs.704,539 received during the year 2011 from the Asian Institute of Technology (AIT) of Thailand for the Waste Management Project of the Municipal Council had been credited to a reserve account and of this, a sum of Rs.423,300 had been spent through obtaining an approval for a supplementary budget on 10 May 2012 in order to spend the said money. Accordingly, the above aid should be credited to revenue; but a balance of Rs.704,539 had continued to be retained under reserves as at 31 December of the year under review.
- (b.) Although the rest house charges outstanding amounted to Rs.845,250 as at 31 December of the year under review; it had been accounted as Rs.362,250 thus understating the account by Rs.483,000.
- (c.) Stall rent surcharges amounting to Rs.963,834 relating to the year under review had been brought to account as stall rent income billed, instead of being accounted as warrant charges and fines income.







- (d.) According to Paragraph 07 of the Circular No.1980/46 dated 31 December 1980 of the Commissioner of Local Government and Paragraph 26 of the Lease Agreement entered into with the lessees of stalls; the lessees party should not sell, vest or sub-let property. Nevertheless, the lessees had sub-let 93 stalls owned by the Council to various parties. It was observed that the lessees had sub-let these stalls at rents within a range of Rs.8,000 to Rs.20,000 whereas according to the agreement entered into by the Council with the lessees the lease rent was within a range of Rs.1,000 to Rs.3,000. Accordingly, the Council fund had to suffer a loss of Rs.8,928,000 approximately during the year 2012.
- (e.) 14 stalls sealed during the year 2004 had remained closed even by 31 January 2013; the date of audit examination, without action being taken to initiate legal action or to vest with another party by following procurement procedures again or any other suitable action.

### **2.3.3 Trade Licence Fees**

- (a.) According to Chapter 21 of Part XX of the Sub-statutes published in Part IV (b) of the Gazette Extra Ordinary No.541/17 dated 20 January 1989 of the Republic of Sri Lanka; trade licence should be issued to the persons who are genuinely carrying out businesses. However, contrary to the above, trade licences had been issued in the names of 93 lessees who had sub-let the business.
- (b.) Trade licence fees income in arrears amounting to Rs.46,995 as at the beginning of the year under review had been debited to excesses and shortages account without action being taken to recover the same.

### **2.3.4 Other Revenue**

- (a.) Action had not been taken to recover charges for the year under review from 03 hotels and lodges within the authoritative area of the Council that had been registered at the Sri Lanka Tourism Promotion Authority in terms of the provisions of Section 247(a)(2) of the Municipal Council Ordinance.
- (b.) Action had not been taken to recover from the consumers the water charges in arrears amounting to Rs.4,802,812 existed at the time of vesting the water supply

system of the Council to the National Water Supply and Drainage Board in the year 2001.

### **2.3.5 Court Fines and Stamp Fees**

Money receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2012 are shown below.

	Rs.
(i.) Court Fines	1,870,710
(ii.) Stamp Fees	11,920,160

### **2.4 Surcharges**

A sum of Rs.50,861 had been recoverable as at 31 December 2012 for the surcharges levied by me in terms of the provisions of the Municipal Council Ordinance, against the persons responsible.

### **2.5 Idle and Underutilized Physical Resources**

- (a.) The second floor of the Super Market Complex of the Council had not been completed and the roof had been fixed on concrete columns. The extent of the second floor is 15,472 sq. feet and this had been remained idle since 2001 without being completed and occupied in a useful manner.
- (b.) Nine items of vehicles and equipment valued at Rs.5,691,132 and an item of which the value not mentioned had been lying idle and underutilized.
- (c.) A rack for the mobile library valued at Rs.23,123 shown in the Motor Vehicles and carts account as per financial statements had been dumped in the Mechanical Work-shop site exposed to the nature since 1997.
- (d.) Sample audit checks revealed that 84 units of physical resources of which the value is not mentioned had been lying idle and underutilized.

### **2.6 Irregular Transactions**

The following matters were observed.

- (a.) Twelve officers and employees of the Matale Municipal Council had participated in a 02 day residential training workshop held in the Solid Waste Management Training Centre of the Balangoda Urban Council and an expenditure of Rs.72,195 had been incurred for meals and lodgings for 20 officers and employees per day. An overpayment of Rs.13,248 had been made relating to the above.
- (b.) According to the Public Finance Circular No431 dated 24 April 2008 air tickets for foreign travels should be purchased only from Sri Lankan Air Lines Company or Mihin Lanka (Pvt) Company and if air tickets are purchased from any institution; the approval of the Secretary to the relevant Ministry should be obtained. But, contravening this requirement, a sum of Rs.428,500 had been spent to purchase air tickets from private institutions at 02 instances during the year under review for the Mayor, 02 Council Members and 02 Officers including the Municipal Commissioner for workshops on waste management held under Sunya Project in Kathmandu Nepal and in New Delhi, India.
- (c.) According to Sections 1:3 and 1:4 of Chapter XXX of the Establishments Code of the Republic of Sri Lanka; officers should not accept to perform any service to any Local Authority, State Corporation or any Public Institution or any private institution without the prior approval of the Secretary to the Ministry and an Officer should obtain the approval of the Secretary to the Ministry before accepting any work extraneous to his normal duties on a fee. Nevertheless, 06 Officers of the Council had obtained allowances amounting to Rs.1,188,363 during the year under review in respect of carrying out coordinating work and other duties of the Sunya Project, without obtaining such approval. The approval of the Council too had not been obtained for this payment. Proper records had not been maintained on the time worked for payment of these allowances and work done reports had not been maintained so as to show the supervision done by a supervisory officer and to show clearly the works carried out by other officers.
- (d.) The approval of the Secretary to the Ministry should be obtained for repairs more than Rs.100,000 in terms of Paragraph 9:3:1 (b) of the Government Procurement Guidelines. Nevertheless, a sum of Rs.1,005, 780 had been spent to purchase accessories for repairing the JCB Machine bearing No.GR-0758 without obtaining such approval.

- (e.) An advance of Rs.303,164 had been paid to the Municipal Engineer on 20 January 2012 to purchase air tickets for attending a foreign workshop held in Katmandu, Nepal in January 2012; even though the charges for 05 air tickets amounting to Rs.333,500 could have been directly paid to the relevant institution. After 08 months, a sum of Rs.30,335 had been paid again to the Municipal Engineer at the settlement of the advance on a request made by him to pay him the balance amount for air tickets.
- (f.) The Excavator owned by the Council had been broken down time to time in the months of August and October of 2012 and without taking action to get repair the machine, an Excavator had been hired from 02 outside parties at 02 instances without following the requirements of the Government Procurement Procedure or any other suitable method and without entering in to a formal agreement; and a sum of Rs.648,900 had been paid as machine hire during the year under review.
- (g.) According to Paragraph 6.2 of Chapter VIII of the Establishments Code of the Republic of Sri Lanka, overtime for stand by duties should be paid at 1/2 the normal rate. But, without following the above requirement overtime had been paid to 02 Fire Fighting Officers at the full rate and as such a sum of Rs.99,604 had been overpaid as overtime during the year under review.
- (h.) Various purchases valued at Rs.1,431,662 had been done at 10 instances on hand quotations instead of following the competitive bidding method in terms of Paragraphs 1:4, 3:4 and 3:6 of the Government Procurement Guidelines.
- (i.) According to Financial Regulation 264 of the Republic of Sri Lanka the receipts should be attached to the relevant voucher for each and every payment. Nevertheless the receipts had not been attached to the voucher in respect of purchases valued at Rs.110,150 done at 03 instances.

## **2.7 Transactions Not Supported by Adequate Authority**

The following matters were observed.

- (a.) According to Financial Regulation 610 of the Republic of Sri Lanka all the matters relating to foreign aid should be correspond through the Director General of Foreign Resources. Contravening this requirement the Council had obtained foreign aid amounting to Rs.2,526,255 from the European Community for the







and Circular No. CPC/CS/06/06/02 dated 11 April 2003 of the Chief Secretary of the Central Province.

- (c.) Action had not been taken to get the reimbursements amounting to Rs.2,879,180 for interest on property loans and salaries recoverable from the Commissioner of Local Government for the period 1995 to 2011.
- (d.) Loan balances due from 128 retired officers and an officer transferred in 2002 respectively amounting to Rs.393,592 and Rs.383,070 had not been recovered.
- (e.) The Excavator owned by the Council had been broke down in October 2012 while using it at the Variyapola site to which the waste of the Municipal Council is disposed of and this had been kept in an outside location 300 meters away from the waste dumping land unsafely for over 06 months , exposing to different weather conditions. Although wind screens of 03 sides of the Excavator had been destroyed while it was kept unsafe, no action had been taken in this connection.
- (f.) According to Paragraph 267(1) of Part XIII of the Municipal Council Ordinance, the Council itself may prepare by-laws time to time for needs arise in implementing the policies and provisions of the Ordinance and may implement the said by-laws. However, a by-law had not been passed in respect of the Inter Locking Blocks and Cement Blocks Production Project which is operated since March 2012 and also the approval of the Commissioner of Local Government and the Secretary to the relevant Ministry had not been obtained before commencing the Project.

## **2.11 Identified Losses and Damages**

The following matters were observed.

- (a.) According to the Library Survey Repot of the preceding year, a shortage of 647 library books valued at Rs.80,339 and a shortage of 491 library books of which the value had not been computed had been observed at the Matale Public Library and the Aluvihare Library. However, proper action had not been taken on these shortages even by 15 July 2013; the date of audit examination.
- (b.) A shortage of 03 items that is 11 hand carts valued at Rs.99,110, carts valued at Rs.544,507 of which the number of carts cannot be identified and tractors, trailers and push bicycles valued at Rs.3,471,010 were observed.

- (c.) A stock shortage amounting to Rs.546,237 revealed in the year 2003 had been brought forward for over a several years without taking proper action in this regard.
- (d.) No action had been taken in respect of the sum of Rs.26,549 shown in the financial statements and brought forward since prior to year 2005 as the money defrauded by the Cashier.

## **2.12 Solid Waste Management**

The following matters were observed.

- (a.) About 28.4 tons of solid waste is collected within the area of the Council per day and of this, 24 tons of waste approximately is released to a part of the Variyapola Estate, Matale that is adjoining the Sudu Ganga without subjected to a recycling procedure. No programme had been adopted to solve the problems caused to the environment and the public.
- (b.) The compost yard constructed in a land owned by the Council at Doola Road, Matale from the provision of Rs.4,500,000 obtained in year 2007 from the United Nations Economic and Social Commission of Asia Pacific (UNESCAP) and the compost yard constructed in Higgolla in year 2010 under the financial assistance amounting to Rs.2,752,812 obtained under the National Recycling Project of the National Environmental Authority had been vested with a private institution to produce compost for a period of 30 years, based on agreements entered into in year 2007 and 2010. About 04 tons of waste collected daily within the Council area are transported to the relevant yards engaging the tractors and employees of the Council and 06 labourers of the Council are employed full time for these projects and salaries are paid by the Council. Although an agreement had been entered into with the Central Environmental Authority to implement the Compost Production Project, the said activity had been vested with a private institution without receiving any charge or any benefit.

## **2.13 Performance**

- (a.) The income recoverable from revenue sources as estimated by the Council for the year under review amounted to Rs.118,418,371 and the expenditure incurred to function the Council during the year amounted to Rs.205,652,504. This included

