

Municipal Council, Kurunegala - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of financial statements of the Municipal Council, Kurunegala for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of financial operations, cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory 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 Council Ordinance (Cap.252) and provisions of the National Audit Act, No. 19 of 2018. My comments and observations which I consider should be presented in 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 financial statements give a true and fair view of the financial position of the Municipal Council, Kurunegala as at 31 December 2020, and 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 (SLAuS). 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 Those Charged with Governance for 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 charged 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 of the Council.

1.4 Scope of Audit (Auditor's Responsibilities for the Audit of the 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 Municipal Council's internal control.
- Evaluate the 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.
- 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 Institution;
- 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 and Regulatory Requirements

National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

- The financial statements presented by the Kurunegala Municipal Council are consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

1.6 Audit Observations on the Preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comment of the Council	Recommendation
(a) Value of Rs. 11,568,364 relating to 02 items of account had been overstated in the financial statements.	It is informed that the receivable court fines have been duly accounted for and action will be taken to rectify the differences in the employee loan and water deposit balances expeditiously.	Accuracy should be ensured in the accounting process.
(b) A sum of Rs. 47,705,494 relating to 03 items of account had been omitted from the financial statements	It is informed that action will be taken to account for all the accounts without omission.	All accounts should be properly accounted for without omission.
(c) A sum of Rs. 89,340,481 spent for the development of 03 buildings of the Council during the year under review had not been capitalized.	It is informed that this matter will be discussed with the audit and seek advice for keeping accounts under the Wickramanayake Accounts Scheme in the future.	Expenditure incurred on the development of the building should be capitalized.
(d) As the revaluation amounts of the vehicles owned by the Municipal Council had not been accurately brought to account, value of motor vehicles and carts had been overstated by Rs.11,305,363.	It is informed that action will be taken to correct the motor vehicles and cart schedule and car account of the Municipal Council.	Motor vehicles and carts must be correctly identified and brought to account.

(e)	Expenditure of Rs. 506,074,880 incurred by the Municipal Council Fund had been debited to the Building Account and credited to the Capital Expenditure Account by the journal entry 54 and as such, capital expenditure had been understated by that amount, and the Revenue Contribution to Capital Input Account had been understated by the same amount.	It is informed that action will be taken on the advice given by the audit in the future.	It is required to ensure accuracy in obtaining loans and keeping account of the development expenditure incurred from the loans so obtained.
(f)	A sum of Rs. 7,650,000 had been brought to account as creditors in respect of 05 projects that had been abandoned during the year even without reaching an agreement.	It is informed that provisions for creditors will not be made for the projects for which agreement has not been reached.	Creditors should be correctly identified and brought to account.
(g)	Four container boxes worth Rs.6,441,600 purchased during the year under review had not been capitalized.	It is informed that measures will be taken to capitalize the relevant container boxes	Purchases of all machinery and equipment related to the year should be capitalized.
(h)	The interest of Rs. 7,000,000 pertaining to the fixed deposit had not been calculated and included in the financial statements during the year under review.	It is informed that measures will be taken to calculate the interest for the fixed deposit and credit to the accounts.	Interest income should be accurately calculated and brought to account.
(i)	A sum of Rs. 5,934,935 due from the Rajapihilla Rest which had been eliminated from the financial statements of the preceding year without approval had not been brought to account.	It is informed that this has been disclosed by notes to the accounts in the financial statements of the year 2020.	It has not been disclosed under notes to the accounts. Income should be accounted for without eliminating them from the accounts unless a formal approval.

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| (j) | Expenditure reimbursement of Rs. 5,104,758 had been debited to the Expenditure Reimbursement Account instead of being credited to that account and instead of being debited to the Capital Expenditure Account, it had been credited to that account by Journal Entry 55. | It is informed that action will be taken to record accounts accurately as pointed out by the audit in the future. | Accuracy should be ensured in the accounting process. |
| (k) | The stock of fertilizer sacks worth Rs. 6,240,144 existed at the Sundarapola Waste Yard as at 31 December of the year under review had not been brought to account. | It is informed that the stock of fertilizer sacks has been issued to the Sundarapola Waste Yard. | Assets in all the premises of the Municipal Council should be identified and brought to account. |
| (l) | A difference of Rs. 545,417,039 was observed between current assets and the Revenue Contribution to Capital Input Account. | It is informed that this matter will be discussed with the audit and take necessary action on the relevant accounts in the future. | Accuracy should be ensured in the accounting process. |

1.6.2 Non-reconciled Control Accounts or Records

----- Audit Observation -----	----- Comment of the Council -----	----- Recommendation -----
A difference of Rs. 299,219,011 was observed between the value as per the financial statements and the value as per the corresponding reports relating to 14 items of accounts and action had not been taken to rectify the accounts by reconciling differences of the balances.	It is informed that the differences related to schedules on 14 items of account pointed out by the audit have been in existence for many years and some of the values have been rectified in the year 2020 and the adjustment with the accounts will be made in the year 2021.	Action should be taken to correct the accounts by comparing the differences in the relevant balances.

1.6.3 Lack of Documentary Evidence for Audit

----- Audit Observation -----	----- Comment of the Council -----	----- Recommendation -----
Details required for audit relating to 10 items of account totaled Rs. 57,371,648 had not been furnished.	Action will be taken to prepare schedules relating to the accounts expeditiously.	Evidence to substantiate the accounts balances in the financial statements should be furnished.

1.7 Non-compliance

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

Instances of Non-compliance with Laws, Rules, Regulations, and Management Decisions are as follows.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Comment of the Council	Recommendation
(a) Section 185 (1) of the Municipal Council Ordinance.	Instructions have been given that every Municipal Council should establish a Municipal Council Fund, whereas in the absence of any provisions in the Act regarding a Mayor's Fund, provision of Rs. 2,279,800 had been allocated from the annual budget and Rs.2,008,852 thereof had been spent.	It is informed that an item of expenditure called the Mayor's Fund has been included in the Municipal Council Budget in terms of the powers vested in the Municipal Council according to Section 215 of the Municipal Councils Ordinance.	Although modifications of the budget have been specified under Municipal Council Ordinance 215, the establishment of various funds should not be done as any indication of a Mayor's Fund has not been included in the Act.
(b) Section 6 of Chapter XIX of the Establishments Code of the Democratic Socialist Republic of Sri Lanka.	Even though the period of lease of all quarters should be 05 years, it was observed that 19 officers had lived in quarters for 5 to 30 years.	The official quarters of the Municipal Council are the property of the Municipal Council. The administration and utilization of these properties is done in terms of the Municipal Council Ordinance at the discretion of the Municipal Council and the officers stay in the official quarters until the transfers are received and action has been taken to recover the charger for the official quarters from them.	By changing the residence in government quarters every 05 years, the waiting list should be implemented.

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| (c) | Financial Regulations of the Democratic Socialist Republic of Sri Lanka
F.R. 371 (5). | Advances of Rs. 57,280,087 obtained as at 31 December 2020 had not been settled. | Officers were instructed to take action to settle the relevant advances expeditiously. | Advances should be settled in accordance with the instructions in the Financial Regulations. |
| (d) | Circular without date No. PL/7/1/18/1 (Gen.) of March 2020 of the Secretary to the Ministry of Public Administration, Provincial Council, and Local Government | Without adhering to the instructions in the referred circular, a sum of Rs. 10,470,867 had been spent from the Council Fund to provide Saks of goods, free of charge, to the parties who are in and outside the jurisdiction of the Council. | It is informed that future steps will be taken in accordance with the guidance of the audit. | Action should be taken in accordance with the aforesaid circular. |
| (e) | Circular No.03/2015 dated 14 July 2015 of the Secretary to the Treasury. | Although the prior approval of the Treasury should be obtained with the recommendation of the Chief Accounting Officer in obtaining sub imprests exceeding the financial limit of Rs.100,000, the Municipal Council had granted sub imprests of Rs. 5,000,000 for the distribution of dry food rations without being adhered to the above requirement. | It is informed that advances were obtained upon urgent needs and action will be taken in accordance with the circulars in the future. | Action should be taken in accordance with the circular instructions. |

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue of the Council in excess of the recurrent expenditure amounted to Rs. 348,176,000 as at 31 December 2020 as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs. 305,279,341.

2.2 Revenue Administration

2.2.1 Performance in Collecting Revenue

Audit Observation	Comment of the Council	Recommendation
(a) The total Rates in arrears as at 31 December of the year under review was Rs. 108,427,329.	Although it was planned to execute property prohibition, it could not be so done due to prevailed Covid pandemic situation. Of the arrears amounting to Rs. 87,886,193 as at 31.12.2020, a sum of Rs. 29,077,123 has been recovered by 31.03.2021. Accordingly, there is an absolute increase in the recovery of arrears of the preceding years within the above 03 months.	Action should be taken to recover the outstanding balances in conformity with the provisions of the Municipal Council Ordinance.
(b) The balance of travel trade rent and lottery outlet rent due as at the end of the year under review was Rs. 2,976,122.	It is informed that the total arrears of lottery outlets has been recovered by 30.04.2021 and all travel traders who have arrears will be charged 10 per cent of the arrears on monthly basis.	Action should be taken to recover the outstanding rent balance on time.
(c) The balance of the arrears of water charges at the end of the year under review was Rs. 64,549,182. Out of which Rs.28,076,433 remained outstanding from 52 water consumers with their arrears of over Rs.75,000. No action had been taken to recover these arrears.	Some of the 52 water consumers whose arrears remained more than Rs. 75,000 had paid money as at the end of the year under review and action has been taken to file lawsuits as well. It is informed that action has been taken to recover all the arrears.	A systematic procedure should be followed to recover the outstanding water charges and action should be taken to recover the annual bill in time.
(d) Court fines totaling Rs. 7,128,450 and stamp fees totaling Rs. 117,314,831 remained receivable as at 31 December 2020 from the Chief Secretary of the Provincial Council and the other officers respectively.	It is kindly informed that necessary action will be taken to expeditiously recover these charges.	Action should be taken to recover the relevant funds.

3. Operating Review

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.

3.1 Performance

	Audit Observation	Comment of the Council	Recommendation
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(a)	Fees had been levied without taking steps to enact a bylaw on the transportation of sewage and a sum of Rs. 48,682,950 remained receivable as at 31 December of the year under review.	A by-law on the transportation of sewage has already been prepared and sent to the Local Government Department for further action.	Action should be taken to enact bylaws properly and thereby earn revenue.
(b)	An amount of 5,040 tons of degradable and non-degradable waste is collected and referred to the Sundarapola solid waste yard annually to produce fertilizer. Although the Kawashima Composter established in 2017 at a cost of Rs. 123 million on the provisions of the Ministry of Local Government and Provincial Councils has a capacity handle 50 tons of garbage, action had not been taken to utilize its maximum capacity. Lack of physical resources such as a garbage strainer and a Bobcat machine had affected the maximum usage of this machine	Garbage (waste) of the Kurunegala Municipal Council and the Kurunegala Pradeshiya Sabha is disposed of at the Sundarapola Solid Waste Center. It is informed that action will be taken to utilize the capacity and rectify the shortcomings.	Action should be taken to streamline the waste management process.

3.2 Uneconomical Transaction

----- Audit Observation -----	----- Comment of the Council -----	----- Recommendation -----
Sixty tablet computers valued at Rs. 2,046,000 had been purchased for the field officers of the Municipal Council to perform their duties under the new software and those had not been utilized for useful purposes by uploading required software. It was not confirmed to the audit the need to provide tablet computers to read water meters in the field, issue assessment bills, cut down dangerous trees, remove unauthorized trade stalls and provide such tabs to water maintenance staff.	The new software has been incorporated in the tab computers purchased for the field officers of the Kurunegala Municipal Council and all the works are carried out using it. It is informed that due to the current Corona epidemic, it was not possible to procure printers due to the difficulty in procuring goods.	Action should be taken to make purchases in keeping with the requirement.

3.3 Management Inefficiencies

----- Audit Observation -----	----- Comment of the Council -----	----- Recommendation -----
(a) Without proper approval, the top management of the Kurunegala Municipal Council had taken action to demolish the building of the Buwaneka Hotel, which was of archaeological value and public property that could generate revenue for the Municipal Council. The prior approval and recommendations of the Department of Archeology had not been obtained for this purpose and steps had been taken to demolish the relevant building on 14 July 2020. A sum of Rs. 7,800,000 had been paid from the Municipal Council fund as legal fees for the officers who were issued warrants for being responsible for the incident.	It is kindly informed that as the property is owned by the Municipal Council, it has taken action to implement its decisions and functions in accordance with the powers vested in the Council under the Municipal Council Ordinance. Further, Sections 309 and 310 of the Municipal Councils Ordinance also provide for special legal protection and accordingly, the Council has approved the payment of lawyer's fees.	The approval of the relevant institutions and the General Assembly should be obtained. When demolishing buildings of archaeological value.

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| (b) | The land of Plot No. 211 containing Rood 1, 30 perches and depicting in the Plan No.2644/79 belonging to the Municipal Housing Complex had been informally given to a person on a decision of the General Assembly and the properties of the Municipal Council had been allowed to be enjoyed without any control. | As per the Council Resolution GC / 06/53/2020/12/10 passed by the General Assembly, action is being taken to formalize those lands for the present residents. | Lands should be properly disposed of after obtaining formal approval according to Section 36 of the Municipal Councils Ordinance. |
| (c) | In terms of Section 36 (1) III of the Municipal Council Ordinance, the Council does not have the power to sell or alienate any property without having prior written consent of the President for that purpose, whereas the General Assembly had passed a resolution to legally transfer the Weherawatta land owned by the Municipal Council. Although it was observed in the examination of this land file that there were several people who had been living illegally on this land for a number of years, many of them were the encroachers engaged in cultivation. | The Municipal Council has identified the unused lands and managed the land administration in accordance with the formal council resolutions so as to receive revenue to the Municipal Council. | According to Section 361 (ii) of the Municipal Council Ordinance, action should be taken to properly dispose of the lands, protect lands owned by the Municipal Councils and to comply with tender procedures in leasing lands. |
| (d) | The Section A of the Wehera Shopping Complex with an area of about 6000 sq. Ft. had been leased out to run the C.W.E shop and the shop which is about 1500 square feet adjoining the CWE shop in the Wehera shopping complex building had been leased to a resident of No. 38/52 Nissanka Mawatha without being complied with Section 40 (1) f of the Municipal Council Ordinance. | C.W.E, the relevant tenderer, has recovered a security deposit of Rs. 75,000 for signing that lease agreement. Although it had been proposed to lease the Wehera C.W.E Section A at Rs. 250,000 in 2013 and increased the tax by 10 per cent each for 3 years and lease the shop again at Rs. 402,628 increasing the lease by 10 per cent from April 2019, the decision of the General Assembly No. GC-6(07) dated 09.04. 2019 had approved to recover the annual rent under the former method and to provide the premises to the CWE on an annual lease basis. | In leasing assets of the Council, action should be taken to obtain relevant approval in accordance with the provisions of the Act. |

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| (e) | The total value of 08 items of account balances payable as sundry deposits as at 31 December of the year under review was Rs. 590,842,593. According to the age analysis, the balances of accounts related to the period from 1 to 5 years totalled Rs. 166,767,923. | The officers concerned were instructed to take speedy action to rectify the relevant accounts. | Action should be taken to settle the balances payable. |
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3.4 Operating Inefficiencies

 Audit Observation

 Comment of the Council

 Recommendation

Under the Mayor's Official Mission Program for providing equipment for active voluntary organizations in the area, items worth Rs. 1,595,831 not approved by the decision of the Finance Committee held on 14 April 2019 had been purchased. In the distribution of these items, it could not be verified according to the register of voluntary organizations that the societies that received the items were registered with the Divisional Secretariat. No confirmation had been obtained from the relevant societies to the effect that they accepted the items distributed to the voluntary societies in the year 2019.

Assistance has been granted to the societies registered with the Divisional Secretariat. It is informed that a physical verification will be carried out on the goods and equipment donated to the voluntary organizations and recorded the same.

In the distribution of goods to the societies, it should be properly done by obtaining confirmations that the goods have been accepted by the registered societies and not providing the goods to the same society repeatedly.

3.5 Irregular Transactions

 Audit Observation

 Comment of the Council

 Recommendation

- (a) In the inspection of the quantity of dry rations purchased and the quantities distributed during the Corona pandemic in March-April 2020, it was not verified to Audit of information regarding the distribution of dry rations worth Rs. 2,953,153 to the people.

Not replied.

In expending funds, evidence of expenditure incurred, and details of expenditure confirmation and distribution should be submitted.

- (b) Although 45,000 poly sack bags should have been purchased at the request of the Public Health Inspector in charge of the Waste Management Unit, 221,173 poly sack bags of 04 types had been purchased from a counterfeit company contrary to the

These items have been ordered based on a report on the quantity of police bags required for the next 02 years

Purchases should be made in keeping with the requirement of the Council by following the formal tender procedure. Council's funds should be

Procurement Guidelines at the request of the Chief Medical Officer and Rs. 6,520,089 was paid for the purchase. These poly sack bags, which had been purchased without specifications and without the inner polythene cover, could not be filled with the required quantity of fertilizer. As about 30,000 kg of fertilizer is produced and sold annually, the quantity required for that was about 600 sacks per year. No officer had checked the accuracy of the quantity when the poly sack bags were delivered to the warehouse or received at the premises. Although the exact stock could not be ascertained due to non-maintenance of documented information as to how much of each type was sold at the time of sale of fertilizer, in adjusting the sale of 29,240 k.g. of fertilizer up to November of the year under review with the physical stock as on 12 September 2020, it was observed that the purchased quantity of poly sack bags had not been received and there was a shortfall of 87,660 bags in the size of 25 k.g and 50 k,g

- (c) Without being complied with Section 27 of the Crown Land Ordinance and Section 36 (1) of the Municipal Councils Ordinance, action had been taken to lease 03 lands on an informal procedure based on the approval of the General Assembly and the Governor signing a letter addressed directly to him by the Mayor. According to paragraphs No. 7 of the Presidential Secretariat Circular No. SEI / A / 4/34 dated 12/7/1995 titled The Guidelines Relating to the Transfer of Government Lands, an actual rent determined by the Chief Assessor on the prevailing market valuation should be imposed and levied. Nevertheless, the above leases had been done on the basis of an assessment made by the Revenue Inspector.

submitted by the Chief Medical Officer of Health of the Municipal Council in charge of the Sundarapola Garbage Dump and the Public Health Inspector in charge of the site.

spent economically, efficiently, and effectively to ensure transparency.

The three lands namely the Dutch Cemetery Land, the Kumaratunga Mawatha Land and the Land with the Public Toilet in front of the General Hospital have been given on lease until the written consent of His Excellency the President is obtained in accordance with the provisions of the Municipal Council Ordinance. After receiving the transfer order, it is due to be sent to His Excellency the President for approval

In leasing Municipal Council lands, the Municipal Council Ordinance, Government Land Ordinance, and relevant circular instructions should be followed and a formal lease agreement should be entered into obtaining a government assessment.

3.6 Apparent Irregularities

Audit Observation	Comment of the Council	Recommendation
<p>A sum of Rs. 4,481,000 had been paid for the purchase of sports equipment for pre-schools operated under the control of the Municipal Council. It was observed that the Technical Evaluation Committee Report for this purchase was not in the file and accordingly the equipment had been purchased without a technical evaluation. It was observed at the audit test check that since this purchase had not been made from an institute engaged in selling pre-school items, an irregularity had taken place in this purchase and formal procurement process had not been carried in a manner favourable to the Government.</p>	<p>It is kindly informed that measures will be taken in accordance with the audit instructions..</p>	<p>Action should be taken to spend funds of the Council in compliance with the provisions in the Procurement Guidelines.</p>

3.7 Idel or Underutilized Property, Plant, and Equipment

Audit Observation	Comment of the Council	Recommendation
<p>A plastic recycling project had been started with the provision of Rs.80 lakhs of the Central Environmental Authority and two machines had been installed for cutting plastic into pieces and melting plastics in 2012. The machines had become inoperative around 2014 and action had not been taken to repair them and thereby resume the project. Therefore, the cost incurred in the project had become a fruitless expenditure.</p>	<p>It has been proposed to refer the dysfunctional plastic recycling unit to a technical institute cable of restoring and reactivate the unit. A request has already been made for technical assistance.</p>	<p>Action should be taken to utilize the assets.</p>

3.8 Deficiencies in the Contract Administration

Audit Observation	Comment of the Council	Recommendation
<p>(a) Although the planning and building method had been selected for this construction, when a Municipal Civil Engineer and all other resources were available in the Council and other technical assistance could have been obtained, the Council had lost the opportunity to construct the official residence at a lower cost in a manner that would have</p>	<p>It is informed that action will be taken in accordance with the guidance of the audit.</p>	<p>When carrying out the constructions of the Municipal Council, more favourable procurement methods applicable to the Municipal Council should be selected and constructions should be</p>

been more favourable to the Municipal Council. Although an advertisement was published in terms of Guideline 6.2.2 of the Government Procurement Guidelines, due to not giving a relevant timeline and amending the qualifications of the contractors in the second instance, there was a limitation in contractors' involvement. As this project consists of only the ground floor and the first floor, there is no need to install an electric elevator (Lift), whereas an elevator had been installed at a cost of Rs.4,129,600.

(b) Having prepared an estimate worth Rs. 687,068,527 for the construction of central market, contract had been awarded at Rs. 948,518,334. Although the procurements relating to this construction should be carried out under the authority of a Ministerial Procurement Committee in terms of Guideline 2.14.1 of the Government Procurement Guidelines, it had been carried out by the procurement committee of the Municipal Council. The audit observed shortcomings throughout the procurement process including appointment of procurement and evaluation committees, preparation of bid documents including bid notification, conduct of procurement committee meetings, publication of bid notifications, obtaining bid securities and evaluation of the bids. The parties and institutions that involved in the relevant activities from the date of commencement of the procurement activities up to the date of awarding the bid had awarded the contract to the bidder who had submitted a bid which had exceeded the engineering estimate by Rs.281,934,447 or 41 per cent.

(c) According to the bid invitation for the construction of Maligapitiya Auditorium at the engineering estimate of Rs.165,207,414, two bids valued at Rs. 185,456,135 and Rs.300,655,750 had been received. Without

Having submitted the original estimate to North Western Engineering Department, the values of the Air Conditioning System and Provisional sum in the original estimate were changed on the recommendation of its committee. After the preparation of the revised estimates and obtaining approval of the North-Western Engineering Department, they were forwarded for the future activities of the project, and then the contract was awarded.

It is informed that action will be taken in accordance with Procurement Guidelines.

carried out in compliance with the instructions in the Procurement Guidelines. During construction, the quality of the construction materials and the completion of the work in accordance with the standards should be examined.

The estimate should be prepared in accordance with the BSR (Approved Buildings) and tender should be awarded in accordance with the Procurement Guidelines. Constructions should be carried out in the prescribed standard under the supervision of the Engineering and Technical Officers

Selection of procurement methods, invitation of bids, evaluation of bids and award of contracts considering price variations

following the detailed bidding principles and procedures according to Procurement Guidelines 7.9.2 relating to the contract not exceeding Rs.500 million, the contract had been awarded while the minimum bid had exceeded the engineering estimate by 18 per cent.

should be done according to the instructions given in the Procurement Guidelines,

3.9 Human Resource Management

----- Audit Observation -----	----- Comment of the Council -----	----- Recommendation -----
Although the Department of Management Services had approved 36 employees for 05 posts of the Fire Extinguishing Division of the Council on 01 January 2013, as the service minute for that service had not been prepared, no action had been taken to recruit the approved staff even as at 31 December 2020.	Action has been taken to prepare this service minute and refer it to the Governor through the Commissioner of Local Government.	Action should be taken to approve the service minute and recruit relevant staff for this service and thereby, perform this service efficiently.

04. Accountability and Good Governness

4.1 Environmental Issues

----- Audit Observation -----	----- Comment of the Council -----	----- Recommendation -----
The waste management yard with a capacity of more than 24,000L is in operation and the wastewater discharged from the system had been released to a natural surface drain. No action had been taken to prevent the resulting water pollution.	This matter has been brought to the notice of the Municipal Health Officer to prepare necessary plans and take actions regarding the impact on the internal water sources by discharging the effluent into the open field. Special attention will be given to the guidelines pointed out by the audit in this regard.	Measures should be taken to regulate the waste disposal process to minimize damage caused to the natural ecosystems.