

## Matara Municipal Council - 2022

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### 1. Financial Statements

#### 1.1 Adverse Opinion

The audit of the financial statements of the Matara Municipal Council including the financial statements for the year ended 31 December 2022 comprising the Statement of financial position as at 31 December 2022, Statement of Financial Performance, Statement of Changes in equity, Cash Flow Statement for the year and significant accounting policies and other explanatory information was carried out, for the year then ended, 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 (chapter 252) and the provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be report to parliament appear in this report.

In my opinion, because of the significance of the matters described in paragraph 1.6 of this report, the financial statements do not give a true and fair view of the financial position of the Matara Municipal Council as at 31 December 2022 and its financial performance and cash flow for the year then ended in accordance with Generally accepted Accounting Principles.

#### 1.2 Basis for Adverse Opinion

I expressed adverse opinion on the matters described in paragraph 1.6 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in **the Auditor's** Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse 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 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.

#### 1.4 Audit Scope (Responsibility of the Auditor for the audit of 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 exercised professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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.
- Obtain an understanding of internal control relevant to the audit 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 its internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Municipal Council, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Municipal Council has complied with applicable written law, or other general or special directions issued by the governing body of the Municipal Council
- Whether it has performed according to its powers, functions and duties; and
- Whether the resources of the Municipal council had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## **1.5 Report on Other Legal Requirements**

The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements.

- (a) Financial Statements of the Municipal Council as per the requirement mentioned in Section 6 (1) (d) (iii) of the National audit Act No. 19 of 2018 corresponded with the Financial Statements of the previous year.
- (b) In accordance with the requirement referred to in Section 6 (i) (d) (iv) of the National Audit Act No. 19 of 2018, except the observation (1),(j),(k) and (l) of the Section 1.6.1 in this

report recommendations made by me during the previous year are included in the submitted financial statements.

- (i) The credit provision for the Local Government Pension Contributory Fund payable amounting to Rs.48,734,760 at the end of the year under review had not been made.
- (ii) The credit provision of Rs.5,000,000 had been made for a generator which had not been received from the suppliers at the end of the year under review.

## 1.6 Audit observations regarding the preparation of financial statements

### 1.6.1 Accounting Deficiencies

<b>Audit Observation</b> -----	<b>Comment of the Council</b> -----	<b>Recommendation</b> -----
(a) The rental income balance due at the end of the year under review had been under-accounted by Rs.70,953,172.	The further action will be taken by check.	Should be properly accounted.
(b) Income amounting to Rs. 5,674,588 had to be collected from 4 income heads had not been accounted at the end of the year under review.	The further action will be taken by check..	Should be properly accounted.
(c) In relation to the previous years, the income of Rs.889,239 received from 02 income heads in the year under review had been accounted as income of the year.	As there is no revenue-control account for the garbage tax, accounted as income for the year.	Should be properly accounted.
(d) The net income of stamp duty receivable was under-accounted by Rs. 5,471,640 at the end of the year under review.	The action had been taken to correct by journal entries.	Should be properly accounted.
(e) In relation to the previous year, court fines due at the end of the year under reviewed were overstated by Rs.461,248.	The action had been taken to correct by journal entries.	Should be properly accounted.
(f) The provision had not been made under sundry creditors for sundry expenses amounting to Rs.462,528 payable at the end of the year under review.	That creditor provisions have been made for the remaining items except travel expenses, arrears of overtime allowances, newspaper bills and output tax.	Should be properly accounted.
(g) The net balance of stock in hand was over accounted by Rs.13,531,056 at the end of the year under review,.	The action will be taken to correct in the year 2023.	Should be properly accounted.

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| (h) | The interest payable for the loan amount of Rs.89,374,000 given to the Municipal Council by the Urban Development Authority in the year 1995 had been under stated by Rs.99,052,161 at the end of the year under review.  | This amount was not accounted for as no specific answer was given by relevant parties. | Should be properly accounted. |
| (i) | At the end of the year under review, the balance of Rs.514,188 was not accounted as current assets after adjustment of the VAT of Rs.3,096,925 paid and the VAT collected of Rs.2,582,737 on receipt on various supplies and services and the collected VAT were accounted as a current liability under general deposits. | The action will be taken to correct in the year 2023                                   | Should be properly accounted. |
| (j) | During the year under review, The payment of Rs. 4,397,111 to the Stores creditors was debited to the Stores advance account instead of being debited to the Stores creditor account, thus the Stores credit balance and the Stores advance account balance were overstated by that amount.                               | The action will be taken to account properly.  | Should be properly accounted. |
| (k) | Rs. 2,795,571 had been over stated in relation to 02 expenditure items and Rs. 3,992,542 had been understated in relation to 03 expenditure items included in the monthly expenditure summary at the end of the reviewed year.  | The actions will be taken to correct expenditure summary                               | Should be properly accounted. |
| (l) | In the year under review, Rs. 123,579, which was left over from the budget allocation for 02 programs that were to be implemented by the Community Development Division, had been accounted as sundry creditors.  | The action will be taken to remove from the financial statements of the year 2023.     | Should be properly accounted. |
| (m) | Payment of Rs. 1,126,923 for 11 construction creditor balances had been completed. However as this balance was further shown under construction Creditors, the construction Creditor Balance was overstated by that value by the end of the year under review.  | That these balances will be removed from the creditor register in the future.          | Should be properly accounted. |
| (n) | The provision was not made under construction creditors for Rs.665,206 payable to 07 constructions at the end of the year under review.   | That those industries will be included in the register in the future.                  | Should be properly accounted. |

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| (o) | Rs. 1,037,612 worth of 1474 items of non-fixed assets inventory and consumables had been accounted under property, plant and equipment. | The action will be taken to remove from the financial statements of the year 2023.  | Should be properly accounted. |
| (p) | The net value of construction credit balance was over-stated by Rs. 7,040,291 at the end of the year under review.                      | Creditor balance may change due to creditor provision had been made on estimated amount.  | Should be properly accounted. |
| (q) | At the end of the year under review, the construction debtor balance had been over stated by Rs.5,353,403.                              | Had not been commented.   | Should be properly accounted. |
| (r) | Rs.1,683,220 received in the year under review, for 04 industrial debtor balances had not been accounted.                               | Had not been commented.   | Should be properly accounted. |
| (s) | The interest due for the year under review for 38 fixed deposits held in 03 banks had been under stated by Rs.1,660,947.                | That the amount of Rs.21,247,120.09 received in the year 2022 and the interest amount of Rs.20,562,772.12 due in the year 2022 have been accounted for. | Should be properly accounted. |

### 1.6.2 Non-reconciled Account or Records

#### Audit Observation

There was a difference of Rs. .10,186,555 between the balance shown in the relevant documents/schedules and the balance of 09 accounting items totaling to Rs. 496,572,529 included in the financial statements.

#### Comment of the Council

The actions will be taken to correct.

#### Recommendation

The action should be taken to correct reconciling the differences of relevant accounts

### 1.6.3 Lack of Documentary evidence for Audit

#### Audit Observation

Due to non-submission of information such as updated fixed assets register, detailed schedules and balances Conformations etc., 19 accounting items totaling to Rs. 568,364,209 could not be satisfactorily checked during the audit.

#### Comment of the Council

The action will be taken to update.

#### Recommendation

Evidence should be submitted to confirm the account balances shown in the financial statements.

## 1.7 Non-compliances

### 1.7.1 Non-compliance with Laws, Rules, Regulation and Management Decisions

Instances of Non-compliance with Laws, Rules, Regulation and Management Decisions are shown below.

(a)	Reference to Laws, Rules, Regulation and Management Decisions	Non – Compliance	Comment of the Council	Recommendation
(i)	F.R.104 (3) and F.R.104 (4)  F.R.103(4)	The action had not been taken in accordance with the Financial Regulations regarding the accident that happened to the Demo Batta vehicle owned by the council in the year under review, even up to 2 May 2023.  Regarding the damage caused by a certain fireman who worked as the driver of the disaster intervention vehicle belonging to the fire department of Matara Municipal Council, due to careless driving of the engine temperature, investigations were not conducted even on 02 May 2023, which was the date of audit, and the loss had not been charged from the responsible parties. Meanwhile, the vehicle was parked in a private garage without repairs.	That has not been submitted for audit.  The comments had not been given	The actions should be taken in accordance with the Financial Regulation  The action should be taken in accordance with the Financial Regulations.
(ii)	F.R. 371 (5)	There was a delay of from 05 days to 28 days to settle the advances of Rs.63,636 taken by three officers on 06 occasions.	The warning letters and instruction letters have been issued to the subject officers and a register is being maintained.	The action should be taken in accordance with the Financial Regulations.
(iii)	F.R 571	The actions not been taken as per the Financial Regulations for 5,152 miscellaneous deposit balances totaling to Rs.6,964,085 deposited since the year 2000.	The action will be taken to settle.	The action should be taken in accordance with the Financial Regulations

- (b) Public Finance Circular No. 01/2020 dated 28 August 2020. The advance balance amounting to Rs. 2,522,241 which was provided for various activities had not been settled at the end of the year under review. . The advance has not been settled as the final bill has not been submitted. The action should be taken in accordance with the circular.

## 2. Financial Review

### 2.1 Financial Result

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Council for the year ended 31 December amounted to Rs.162,479,763 as compared with excess of revenue over recurrent expenditure amounted to Rs. 142,443,317 in the preceding year.

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

According to the Information presented by the Mayor Estimated Revenue, Billed Revenue, Revenue collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below .

Source of Revenue	2022				2021			
	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
i. Rates and Taxes	36,726,576	42,135,018	36,096,681	67,044,179	39,098,558	35,760,433	30,146,775	61,005,842
ii. Rent	28,469,950	29,152,465	13,395,072	90,579,394	35,092,100	29,446,071	18,380,835	74,822,001
iii..License Fees	25,241,000	23,045,801	36,629,472	11,790,957	31,591,000	18,679,858	15,276,037	25,374,628
iv. Other revenue	66,224,500	91,570,343	67,246,462	34,097,341	73,701,900	115,931,070	337,320,029	9,773,460
	156,662,026	185,903,627	153,367,687	203,511,871	179,483,558	199,817,432	401,123,676	170,975,931

#### 2.2.2 Performance in Revenue Collection

Observations regarding the revenue collection performance of the council are given below.

Audit Observation	Comment of the Council	Recommendation
(a) At the beginning of the year under review, the outstanding balance of assessment tax was Rs.60,689,595 and in relation to 34606 assessment units, the billings during the year were Rs.34,082,159 and Rs.94,771,754 should have been collected.	Had not been commented	Arrears of Income should be collected promptly.

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| (b) | 594 of the 607 shop rooms owned by the council were leased and at the end of the year under review, shop rents of Rs.22,556,363 had to be collected from 433 lessees. Out of the shops with outstanding balances, 330 shops had arrears of balances of more than Rs.25,000, which was 76 percent of the total number of shops.  | Proceedings to recover arrears of income.           | Arrears of Income should be collected promptly.               |
| (c) | According to the paragraph 04 of the Circular No. දළඹ/පළාතේ/2010/ dated 27 December 2010 of the Southern Province Commissioner of , Local Government a sum of Rs.6,752,755 to be charged as lease of 30 shops belonging to 04 shopping complex owned by the council., it had not been collected as at the end of the year.  | Had not been commented.                             | Arrears of Income should be collected promptly.               |
| (d) | 56 shops in 02 places belonging to the Municipal Council were leased without a written agreement.   | Had not been commented                              | Leased should be done in accordance with a written agreement. |
| (e) | In relation to 86 shops owned by the council, the lease agreements had not been updated and after the expiration of their agreement period, the period of delay in updating the agreements ranged between 01 months and 21 years and 08 months.   | The agreement of 06 shops have been updated by now. | Arrears of Income should be collected promptly.               |
| (f) | 49 out of 66 shops in Kotuwegoda New shopping complex owned by the council and 20 shops in Kotuwegoda shopping complex were closed by the lessees with out using business purposes and out of the 49 shops rooms in Kotuwegoda New shopping complex, 35 shops rooms were closed and the Agreements had not been entered with the lessees.                               | Had not been commented                              | All the agreements should be updated and acted upon.          |
| (g) | 14 lessees of the Kotuwegoda old shopping complex and 13 lessees of the Kotuwegoda new shopping complex had sub-leased the shop rooms to other parties without the permission of the Council.   | Had not been commented.                             | Should be act in accordance with the agreements.              |
| (h) | The Matara Inn owned by the Matara Municipal Council was entrusted to a private company which is a subsidiary of the Urban Development Authority to manage and run it. From the income billed on the management fees earned by the said institution for the period from October 2019 to October 2022, the action had not been recovered due amounting to Rs. 2,152,266. | The internees were sent by the law officer          | Arrears of Income should be collected promptly.               |
| (i) | At the end of the year under review, Rs.488,648 for court fines and Rs.223,827,618 for stamp Fees   | The Chief Secretary has been requested about        | Arrears of Income should be collected                         |

should have been received from the Chief Secretary of the Provincial Council. the balance of stamp duty brought forward. promptly.

- (j) There were 30 hotels and restaurants registered with the Sri Lanka Tourism Board within the Area of the Municipal Council, however 22 hotels and restaurants had not been surveyed and license fees had not been collected. Had not been commented. Arrears of Income should be collected promptly.
- (k) From the year 2016 to the year under review, 3330 development permits had been issued for the construction of buildings, out of which compliance certificates had been issued for 370. Although the number referred for assessment was 312, only 247 new assessments were given. Accordingly, the council had not followed up whether the construction had been done in relation to the building development permits issued and collected the assessment tax. Even if requests are made for assessment of buildings for which compliance certificates have been issued, assessment will be refused by the assessment department until the buildings are fully constructed. The action should be taken to recover the assessment tax

### 2.3 Surcharges

#### Audit Observation

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In the last year, I have imposed 03 surcharges amounting to Rs.451,376 in accordance with the Municipal.

#### Comment of the Council

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No final decision has been received on the appeals.

#### Recommendation

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Should be act in accordance with the act.

### 3. Operational Performance

#### 3.1 Performance of functions assigned by the Act

Matters revealed with regard to fulfilling regulation and control and administration of health, public utility services and public roads, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Council under Section 4 of the Municipal Council Act are shown below.

#### Audit Observation

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- (a) Due to the absence of an officer in charge of the fire department established by the Matara Municipal Council, the issuance of fire safety certificates has been suspended since October 2018 and due to this, the people of the council area had to go to Galle to obtain fire safety certificates and in the year under review, Although fire income of Rs.250,000 had been estimated from the issuance of security certificates, the council was unable to get that income.

#### Comment of the Council

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A suitable officer will be appointed and rectified in the future.

#### Recommendation

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Institutional activities should be implemented properly.

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| (b) | Due to the reason that a part of 05 acres of the land belonging to the Kotawila Waste Management Center and a part of the building used for compost production was given to the project of generating electricity from waste, it was not possible to use one garbage hauler machine and due to the lack of sufficient space and capacity to keep garbage stocks, compost production 2015 was stopped and thereafter had decreased by an average percentage of about 88 per cent till the year under review.   | The hauler machine which was inactive has been activated now and the building constructed for the project of generating electricity from garbage is also expected to be temporarily used for the compost production project.                             | A formal and permanent arrangement should be implemented for garbage disposal.        |
| (c) | Due to the failure to maintain a compost production capacity sufficient for the entire stock of waste brought to the Kotawila Waste Management Center, a huge garbage heap had been created due to the fact that the remaining waste had not been used for compost production and had been piled up in the open ground for a period of 08 years.  | It is expected to reduce the amount of waste dumped in the landfill by using the building constructed for the waste-to-electricity project to increase compost production and by giving the non-recyclable non-biodegradable waste to a private company. | A formal and permanent arrangement should be implemented for the disposal of garbage. |
| (d) | As a short-term solution to control the environmental and health problems caused by the large garbage heap created, A excavators were used on rental basis to bury the garbage in the soil for the period from May 2014 to the end of the year under review and Rs.41,114,025 had to be incurred by the council, and this amount paid for the above had become an idle expense as the garbage mound was again exposed as before after digging the soil of the garbage mounds that had been covered with soil. | An excavator machine is employed on hire basis to prepare the site for further disposal of waste by daily thinning and covering the waste sent to the landfill.  | A formal and permanent arrangement should be implemented for garbage disposal.        |

### 3.2 Management Inefficiencies

<b>Audit Observation</b> -----	<b>Comment of the Council</b> -----	<b>Recommendation</b> -----
(a) 09 tricycles with a book value of Rs.2,412,000 and 02 hand tractors with a book value of Rs.428,000 which had been taken out of service during the period before the year 2017 to the year 2020.The action had not been taken to disposal during the year under review.	The prompt action will be taken to dispose in future.	Vehicles taken out of service should be disposed of immediately.

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| (b) | The Gully bowser owned by the council, which has been inactive since before the year 2019, was not repaired and put into operation during the year under review.  | A technical report will be obtained and further action will be done. | Repairs should be done promptly.                            |
| (c) | Audit fees of Rs.4,484,208 for the period before 2011 to 2012 had not been settled at the end of the year under review.   | The Action will be taken to settle in future.                        | It should be settled promptly.                              |
| (d) | Between 2007 and last year, 189 tires of and 30 tubes of various sizes were stored in the warehouse for between 10 months and 16 years due to the purchase without considering the requirements.  | Had not been commented.  | Purchases should be made considering the need.              |
| (e) | Despite the provisions of Article (xi ) of the National Budget Circular No. 03/2022 dated 26 April 2022 and to ensure that public expenditure is used only for the most essential services, the Matara Municipal Council has reviewed the fact that certain printed forms have been adequately stored in the warehouse. Rs. 3,312,850 had been incurred for purchase of printed stationery during the year under review.                                  | Had not been commented.  | The action should be taken in accordance with the circular. |
| (f) | When comparing the amount of fuel to be supplied according to the number of kilometers driven/machine hours in relation to each vehicle owned by the council, 1,358.56 liters of fuel was provided more in relation to 11 vehicles, and 864.42 liters of fuel was provided less in relation to 03 vehicles.   | The fuel balance of the vehicles will be carried out correctly       | Should be done correctly.                                   |
| (g) | when the tipper was returning to Matara Municipality Council after taking the garbage and disposing of it at Kotawila on 13 April 2021, the tipper collided with a motorcycle and a private bus parked nearby and had an accident, and even though the investigation conducted 1 ½ years after the accident showed that the driver was responsible. Even at the end of the year under review, the vehicle had not been repaired and the damage recovered. | The repairs have not yet been completed.                             | Compensation should be expedited                            |

### 3.3 Operational inefficiencies

Audit Observation	Comment of the Council	Recommendation
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(a) Two persons were constructing 02 buildings without permission and development permits in Brownhill, which belongs to the Municipal Council area, and in connection with this unauthorized construction, according to Schedules II and IV of the Planning and Building Regulations of the Development Plan for Matara Urban Development Area (Volume II) 2010-2030 Charges had not been regularized or removed the above construction.	The directions have been given to submit the revised plans.	The action should be taken in accordance with the regulations.
(b) In the year 2018, the Walgama Public Market building, which had been completed at a cost of Rs.48,450,204, was not built according to a suitable plan for a public market, so the traders who had obtained 02 stalls, 05 floors and 01 fish Stoll in that market outside the complex. A temporary shed was set up in a section and trading was being done. Also, 11 out of 13 shops and 03 out of 8 stalls in this shop were closed without giving them to the traders.	Had not been commented.	Council property should be used effectively.
(c) According to the second revised agreement signed on 06 May 2016, 05 acres of Kotawilawatta land belonging to the Matara Municipal Council was granted to a certain private company for temporary use to implement the electricity generation project for a period of 25 years subject to a monthly rent assessment.	Necessary actions are being taken to take legal action against the relevant construction company in relation to violate the terms of the project agreement.	The property should be included in a lease agreement.
(d) From the year 2016 to the year under review, 3330 development permits had been issued for the construction of buildings, out of which compliance certificates had been issued for 370. Although the number referred for assessment was 312, only 247 new assessments were given. Accordingly, the council had not followed up whether the construction had been done in relation to the building development permits issued and collected the assessment tax.	Even if the requests are made for assessment of buildings for which compliance certificates have been issued, assessment will be refused by the assessment department until the buildings are fully constructed.	Arrangements should be made to collect the assessment tax.

### 3.4 Transactions of Extraneous Nature.

<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
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(a) According to the letter of the Director General of the Urban Development Authority No. 07/03/Rev/matara and dated 14 May 2001, 35 percent of the money spent on the commercial complex ie Rs. 37,871,539 was stated to be paid at once from the prepayment amount (Key Money) obtained by tendering the shops, however no action was taken in this regard even though more than 20 years have passed.	Had not been commented.	The urgent action should be taken.
(b) An additional consultant was hired and paid Rs.668,333 from October 2020 to the end of the year under review while having qualified staff to help the mayor and members understand the ordinances, corporate code, financial regulations and other circulars.	That the consultant's educational certificates, documents proving his retirement from public service and service certificates are given on file, that the mayor's staff does not verify the attendance and exit with the fingerprint machine, and that the consultant submits a report on the work performed every month.	Necessary instructions should be formally obtained from the Municipal Commissioner.
(c) From 3 March 2021 to December 31 of the year under review, the council had purchased 165,000 liters of diesel in 25 instances at 6,600 liters at a time for the gas station owned by the council, paying an amount of Rs. 33,978,861 and for that, Rs. 446,851 additional transport charges were also paid from the council fund. However it was observed that the council did not focus on getting a discount and free fuel transportation.	A request has been forwarded to the Ceylon Petroleum Corporation.	Purchases should be made to minimize costs.
(d) Except for the provisions of Section 1:3:1 of Public Administration Circular No. 22/99 dated 07 November 2017, Paragraph 3 (vii) of National Budget Circular No. 03/2022 dated 26 April 2022 and paragraphs 3 (vii) the Matara Municipal Council's crew cab had been assigned for group transport 27 kilometers more than 50 km distance of to and from the office daily and a driver had been hired on contract basis from 01 August of the year under review.	The above recruitment has been carried out as per the requirements of the powers conferred by Sections 40 (1) (a) (b) and (c) of the Municipalities Ordinance and the provisions of the National Budget Circular No. 03/2022.	The action should be taken in accordance with the circular instruction.

### 3.5 Assets Management.

#### Audit Observation

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The 20.5 feet x 22 feet empty land owned by the council, located on the right side of Kotuwegoda 56 shopping complex owned by the council, was fenced and no notice boards were displayed as land owned by the Municipal council, and the land on the left side was occupied by a certain organization without the approval of the Matara Municipal council. A 22 feet long and 11 feet wide access road was paved with Inter Locks.

#### Comment of the Council

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Re-surveying will be done and fence boundaries will be settled and further steps will be taken to stop private use.

#### Recommendation

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The action should be taken in accordance with the Act.

### 3.6 Delays in projects, tasks or capital works

#### Audit Observation

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The Waste to Energy Project as a long-term solution to manage the 35 tons of waste generated daily in the Matara Municipal Council's area, between the Matara Municipal Council, the Central Environment Authority and a private company on 8 August 2014. It was started on 11 August 2014 on the basis of a Tri party agreement reached on 05 acres of Kotawilawatta land belonging to the Matara Municipal Council was given for a period of 25 years to run the project. During the period of 08 years, the construction work of the project was stopped from time to time on 07 occasions and the construction was stopped at the end of the year under review.

#### Comment of the Council

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It is planned to take legal action against the relevant company for breaching the terms of the tri party agreement made in relation to the project.

#### Recommendation

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Should be done in accordance with the agreement.

### 3.7 Procurement Management

#### Audit Observation

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- (a) The council had not prepared a procurement plan and a detailed procurement plan in accordance with the Guidelines 4:2:1, 4:2:2 and 4:2:3 of the 2006 Procurement Guidelines.
  - (b) In the year under review, the council held 165 procurement meetings under recurring and capital programs and took procurement decisions worth Rs. 40,850,096, however as per 2:11:3 of the 2006 guidelines, a meeting report file or book was not maintained using serial numbers.

#### Comment of the Council

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- The action will be taken to correct in the future.
  - Will be corrected.

#### Recommendation

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- The action should be taken in accordance with Procurement guidelines.
  - The action should be taken in accordance with the Procurement guidelines followed.

### 3.8 Contracts Administration

Audit Observation	Comment of the Council	Recommendation
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(a) An over payment of Rs.23,356 was made for 71.17 kg of iron bar than the amount of iron bar used in the construction of two-way drainage systems under Miscellaneous Funds in last year.	Had not been commented.	Payment should be made only for the parts of the work performed.
(b) The Southern Provincial Road Development Authority has not introduced a rate to make shuttering by using plywood boards in the construction work, and for that purpose, the rate introduced by the Southern Provincial Engineering Office under CT-036, had not been used. Due to the use of the ST-057 and ST-112 rate, instead of CT-036 rate an over payment of Rs. 290,728 had been maid for the preparation of the shuttering of 03 concrete drains done by the council.	Had not been commented.	Appropriate and favorable rates should be used.
(c) Last year, under the Rural Road Development Program of the Ministry of Rural and other Infrastructure, 02 roads which had been developed in Inter lock with a finished work value of Rs. 785,349 had been implemented targeting a very limited group of beneficiaries.	Had not been commented..	Projects should be implemented to benefit a large number of beneficiaries.
(d) Under the rural road development program of the Ministry of Rural Roads and other Infrastructure, the work item of 15 road development projects implemented in the area of the council was to plant trees on the sides of the road, however for that, Rs. 10,000 each and Rs. 150,000 had been included in the payment bills.	The money will be deducted from the bills of 03 projects that have not been paid, and that money will be deducted from the retention amount of the remaining projects.	Payment should be done only for parts of work performed.
(e) Sarath Sedara Mawatha located in Brownshill, Meddawatta owned by the council had been damaged by a certain telecom company for laying cables, and although Rs.3,081,668 was charged to the council on 20 December in last year, the road had not been repaired by the end of the year under review.	An estimate related to the repair of the road has been prepared and submitted to the Finance Committee, and that the road is expected to be repaired after receiving the approval.	The Road repairs should be done immediately.

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| (f) | During the sample audit field inspection conducted on 06 construction operated on direct labor basis, differences were observed between the quantities of materials to be used according to the measurements of the finished works obtained and the quantity of materials issued from the warehouse for the respective construction and accordingly on direct labor basis. Materials valued at Rs.334,880 had been issued in excess for the 06 construction implemented.  | Due to the irregular nature of the road, the raw material has been overspent.  | Should be maintained a proper internal control        |
| (g) | The remaining part of the Sewa Piyasa in Isadin town implemented on council funds in the year 2021 was constructed by the technical officer of the construction to fix the ceilings without using imported timber under the work item number 01 of the bill prepared in relation to the finished work report valued at Rs.432,448. For that, an amount of Rs.425,149 was recommended and paid to the contractor society. Disciplinary action had not been taken against the officers responsible for recommending and paying fake bills even at the end of the year under review. | The Southern Province Deputy Chief Secretary (Engineering Services) has initiated disciplinary action in relation to this allegation, and that investigative officers have come and taken evidence and statements. | Disciplinary action should be taken immediately.      |
| (h) | In the year under review, 250 cement block which had been purchased at a cost of Rs.25,000 for the construction of Walgama public market buildings were of substandard quality and according to the laboratory test report, the strength of the cement blocks was between 1.1 and 1.3 newtons per square millimeter.  | Had not been commented.  | Projects should be implemented with proper standards. |

### 3.9 Human Resource Management

<b>Audit Observation</b> -----	<b>Comment of the Council</b> -----	<b>Recommendation</b> -----
(a) Debt balances amounting to Rs.852,243 due to 19 retired and officers left the service of the council remained uncollected at the end of the year under review.	The action are being taken to recover	Should be recovered promptly.
(b) As per Chapter XXIV Section 10.2 of the Establishment Code, a permanent and pensionable officer is eligible for the payment of distress loans, however the Matara Municipal Council had paid disaster loans totaling Rs.1,062,717 to 16 casual and substitute labors.	Only Rs. 150,000 has been paid to employees whose education certificates were problematic during the provision of disaster loans.	The action should be taken in accordance with the Establishment Code.