

Kandy municipal council – 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Kandy municipal council including the financial statements for the year ended 31st December 2022 comprising the Balance sheet as at 31st December 2022, Income and Expenditure account, 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 and with the provisions of the National Audit Act No.19 of 2018 read in conjunction with Section 219 of the Municipal Councils Ordinance (Chapter 252). My comments and observations which I consider should be report to parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Kandy municipal council as at 31st December 2022, and of its financial performance for the year then ended in accordance with generally accepted accounting practises.

1.2. Basis for Qualified Opinion

I expressed qualified opinion regarding financial statement 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 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 practises, 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 councilis 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

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

- (a) The financial statements of the municipal council presented is consistent with the preceding year as per the requirement of section 6(1)(d)(iii) of the National Audit Act, No.19 of 2018.
- (b) The financial statements presented includes all the recommendations made by me in the previous year of this report as per the requirement of section 6(1)(d)(iv) of the National Audit Act, No.19 of 2018.

1.6 Audit observation on the preparation of Financial Statements

1.6.1 Accounting Policies

Audit Observation	Comments of the Council	Recommendation
As at 31 st of December of the year under review, external parties had filed 43 lawsuits against the municipal council and the municipal council had filed a lawsuit against external party that was not disclosed in the financial statements.	The deficiency pointed out will be rectified in the next year.	Should be disclosed information in the financial statements.

1.6.2 Accounting Deficiencies

Audit Observation	Comments of the Council	Recommendation
(a) The stamp duty of Rs.204,946,131 related to the previous year was accounted as income in the year under review.	The adjusted financial statements of the year 2023 will be submitted to the audit.	Should be properly accounted.
(b) In the year under review, the billed income for assessment tax was Rs.339,214,127 but it was accounting as Rs.337,462,756, the assessment tax was accounted less by Rs.1,751,371.	That will be corrected by journal entry in the future.	-Do-
(c) As on the last day of the year under review outstanding trade licenses and trade tax amounting to Rs.412,900 had not been accounted.	-Do-	-Do-

- (d) Although the tax income collected from the registered hotels of the Tourism Board for the year under review was Rs.5,294,738, due to accounting it as Rs.5,768,120, the income of the year had been over accounted by Rs.473,382. The adjusted financial statements for the year 2023 be submitted. -Do-
- (e) Although Rs.1,247,474 should receive from the Ceylon Electricity Board for the maintenance of street lights as at 31st December of the year under review by accounting as Rs.663,320 the revenue debtors had understated Rs.584,154. Will be corrected by journal entries. Account balances should be corrected.
- (f) As on 31st December of the year under review, the receivable tender money amount of Rs.10,932,316 and stall rent of Rs.1,295,345 due from 18 stalls in Central Market and Sangharaja Mawatha were not accounted. The steps will be taken to adjust the accounts by correcting the tender money and stall rental income by the journal entries. -Do-
- (g) Although the rental income of the Mahanuwara Commercial Center (MCC) building for the year under review was Rs.110,235,206, and it was accounted as Rs.106,773,224 the rental income had been understated by Rs.3,461,982. That will be corrected in year 2023. -Do-
- (h) The income of the year had been understated by Rs.351,506 due to the income of tourist boat service of Rs.319,551 in reviewed year stated as a negative value of Rs.31,955 by deducting Rs.351,506 received for the next year. These deficiencies were due to by mistake, which was corrected by journal entries. -Do-
- (i) As at 31st December of the year under review capital debtors of Rs.9,997,370 had not been accounted related to waste water project. That waste water revenue due in respect of the year under review will correct in future. -Do-

- (j) As on 31st December of the year under review, the 342,300 kg stock inpacked and unpacked fertilizer worth Rs.8,573,500 in the Gohagoda compost yard had not been accounted. The value of the fertilizer stock will be corrected by journal entries in the future. Stocks should be accounted correctly.
- (k) The sum of Rs.27,838,724 was not accounted under creditors as at the last date of the reviewed year of 02 projects which were contracted for Rs.27,838,724 in the previous year. That will be corrected in year 2023. Account balances should be corrected.
- (l) As on 31st December of the year under review the pension contribution amounting to Rs.2,119,255 had not been accounted. That will be presented adjusted financial statements for year 2023. -Do-
- (m) In the annual budget document, the amount of the remaining provisions of 06 object codes as at the last day of the reviewed year was Rs.15,225,000 and was wrongly accounted under the creditors as at the last day of the year under review. That will be presented adjusted financial statements for year 2023. -Do-
- (n) While the provision amount of Rs.7,000,000 allocated to an object codes in the annual budget document had been wrongly credited, Rs.5,668,780 payable for the purchase of sports items in the reviewed year had been re-credited under that object codes. That the overstated creditor balance will be adjusted through journal entries in the future. -Do-
- (o) In the year under review Rs.3,617,490 spent for the purchase of sports equipment had not been capitalized. The value of sports equipment will be capitalized in the future. -Do-

- (p) The value of 02 cars received as Donations in the Income and Expenditure account had not Rs.11,000,000 and had not been accounted as income. accounted under capital income and expenses. -Do-

1.6.3 Unreconciled Control Accounts or Records

Subject	Comments of the Council	Recommendation
(a) There was a difference of Rs.752,466,541 as compared to the balances shown in the financial statements of 02 assets subjects and 08 liabilities subjects in the schedules as on the last date at the year under review.	That action will be taken to reconcile these unsettled accounts and present the correct schedule when the financial statements of 2023 are submitted for audit.	Differences should be identified and accounts should be corrected.
(b) In the financial statements prepared at the end of the year under review, there was a difference of Rs.927,689,766 between the balance of the accounts to capital contribution from income and donation and the total fixed assets balance.	The difference between these 02 account balances is the value of the buildings mentioned under fixed assets.	-Do-

1.6.4 Un availability of written evidence to Audit

Subject	Comments of the Council	Recommendation
Due to non-submission of documents and schedules relating to 05 account balances worth Rs.606,081,324 as on 31 st December of the year under review unable to satisfactorily verified in the audit	The accounts of machinery, furniture and fixtures are currently being prepared, and the accounts of general stores, water works stores, and stationery stores will be given immediately after the survey is completed.	Records should be maintained to verify account balances.

1.7 Non- Compliances

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

Non-compliances with Laws, Rules, Regulations and Management decisions as follows.

	Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
(a)	The National Audit Act No.19 in 2018 Section 16(2)	The Performance report for the year under review had not been presented.	That will be presented in next year..	The provisions of the Act should be followed.
(b)	Municipal Council Ordinance			
(i)	Section 234(2)	Although 1062 building development permits had been issued between 2018 and 2020, certificate of conformity were not issued for 860 constructions.	Action will be taken against persons who have omitted to obtain certificate of conformity.	-Do-
(ii)	Section 266(a)	In the year under review, the arrears of Rs.57,538,128 in 06 revenue subjects had been written off, but the approval of the council meeting and the approval of the minister in charge had not been obtained.	That the balances have been written off for the purpose of accurate accounting of income, as there have been differences between the individual balances and the balances brought forward in the last few years.	-Do-
(c)	Local Authorities Quarters Repossession Act No. 42 of 1978			
	Section 03(iv)	10 government houses owned by the Council in Aruppala National Housing Complex,, the possession of retired officials had not been taken back and the rent arrears of Rs.619,688 had not been collected as at the end of the year under review.	That legal action is being taken.	Possession should be taken over.

1.7.2 Non-compliance with Tax Requirements

Audit Observation	Comments of the Council	Recommendation
Since the value of VAT collected from customers under Surcharge, Reconnection Fees and Water Bill Adjustment Fees collected as revenue by the water sector has not been correctly recognized in relation to the revenue. It was observed that VAT amounting to Rs.1,402,548 was less remitted to the Inland Revenue Department for the first 03 quarters in the year 2022.	No comments.	The collected money should be remitted.

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 31st December 2022 amounted to Rs.627,188,401 as compared with the excess of revenue over recurrent expenditure amounted to Rs.565,729,320 in the preceding year.

2.2 Financial Control

Subject	Comments of the Council	Recommendation
(a) According to the return cheque register 197 cheques of Rs.4,427,181 received for the water charges of water consumers related to the period from 2015 to May 2022 had been returned. As the Municipal Council had lost revenue due to the fact that they had not been accounted for as receivables from the water consumers or no adjustment had been made in respect of these return cheques.	That in case of return of cheques paid by water customers, such value shall be adjusted through a return cheque account.	Should be accounted correctly..
(b) According to the bank reconciliation statements related to the month of December of the year under review of the 02 current accounts maintained at the Bank of Ceylon and the People's Bank there were unrecognized deposits of a total of	That arrangements are made to settle unidentified deposits, to settle unidentified payments, and to settle unrealized cheques immediately.	Unidentified balances should be settled.

Rs.22,826,646, unrecognized payments of a total of Rs.527,314 and deposited but which had not been realized for a long time Rs.1,015,214 had not been settled.

- (c) Related actions had not been taken regarding 104 return cheques of Rs.3,452,525 received on behalf of the revenue. That they will take legal action for the amount of Rs.1,916,219 in the miscellaneous income department and charged from related consumers for the water and assessment tax return cheques. Proper action should be taken for the return cheques.

2.3 Revenue Administration

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

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

Revenue source	Estimated revenue	2022			2021			Total arrears as at 31 st December
		Billed revenue	Collected revenue	Total arrears as at 31 st December	Estimated revenue	Billed revenue	Collected revenue	
	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)
(i) Rates and taxes	990,201,000	882,283,117	820,914,617	589,194,812	1,037,531,000	762,281,380	765,883,323	527,826,312
(ii) Rent	285,829,000	253,894,168	233,732,302	131,724,666	356,140,000	99,354,750	666,440,065	111,562,800
(iii) License Fees	40,305,000	34,770,109	34,770,109	--	45,306,000	36,208,570	36,208,570	--
(iv) Other Revenue	908,667,000	746,595,031	592,026,297	280,141,845	955,493,000	686,288,900	434,197,593	125,573,111
Total	2,225,002,000	1,917,542,425	1,681,443,325	1,001,061,323	2,394,470,000	1,584,133,600	1,902,729,551	764,962,223

2.3.2 Performance in Revenue Collection

Observations related to performance in Revenue Collection of the council are given below.

Audit Observation	Comments of the council	Recommendation
<p>(a) Performance in Revenue Collection</p>	<p>That action will be taken to recover arrears.</p>	<p>Arrears revenue should be collected.</p>
<p>From the total revenue sources as on 31st December of preceding year the deficit was Rs.764,962,223 and as on the last day of the year under review the same value was Rs.1,001,061,322 and the deficit revenue had increased by 31 percent.</p>		
<p>(b) Rates</p>		
<p>(i) As on the last day of the year under review, the assessment tax outstanding per unit was Rs.194,213,451 due from 1,230 units exceeding Rs.50,000.</p>	<p>That the action will be taken to collect the arrears.</p>	<p>The provision of the Act should be followed.</p>
<p>(ii) During the distribution of assessment tax notices within the council area 38 property units with outstanding assessment tax of Rs.219,958 had not been identified.</p>	<p>That assessable units are identified and charged.</p>	<p>Arrears revenue should be collected.</p>
<p>(iii) According to Section 20 of the Assessment and Valuation Ordinance No.30 of 1946, the assessable property must be valued at least once in 05 years, but the assessment tax had been charged on the valuation of the year 2012 until the year under re</p>	<p>That the valuation department will be informed.</p>	<p>The assessment tax should be value on time.</p>

(c) Water Tax

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| (i) | At the last day of the year under review the receivable water fee income was Rs.270,713,765 while 8,748,648 rupees had not been collected from 32 water consumers whose outstanding per unit exceeded Rs.100,000 at 31 st December of the year under review. | Send of red notices, encouraged to pay over the phone and that disconnection action has been taken. | The Outstanding water income should be collected. |
| (ii) | Although the total amount of Rs.1,557,691 was adjusted in 03 times to computer system related in customer number of 1960 the related reasons had not been revealed and approval related to the adjustment had not been presented to the audit. | That the bill had been corrected by adjusting this value. | The adjustment of the water bill should be done correctly. |
| (iii) | Although 12 water consumers deducted from the customer outstanding of the water software system who were paid a water fee of Rs.2,708,313 to the Municipal Council for the sampled and the receipts issued for the charges had not been presented to the audit. | A request has been made from the Accountant (Payments) for confirmation. That the balances are corrected and presented based on the report provided by the relevant accountant (accounts and payments). | Received must be confirmed by receipts. |
| (iv) | Although the bill has been issued as Rs.1,602,884 for the water bill of water customer number 17791 in the month of July 2021, it has been calculated that it should be Rs.524,478 and the bill has been revised by deducting an amount of Rs.1,078,366 but recommendation had not been taken for that. | That the balances due on 31 st December 2022 are being collected. | Amendments should have for the approvals and receipts should be submitted. |

- (v) The connection fee Rs.1,000 was charged and the water connection had been connected on 02nd of August 2017 according to the request made by the customer No.12162 connected the water connection again of disconnected in 2016. However bills for water consumption had not been issued and charges had not been collected from 02nd of August 2017 to April 2019 according to the information of Water Software system. Accordingly, if the average monthly billing related to the billed period is Rs.112,442, the council had lost a water revenue of Rs.2,248,853 for unbilled 20 months.
- The unaccounted balance of Rs.2,248,853 will be credited to the relevant customer account as indicated by the audit.
- Water revenue should be billed properly and collected.
- (vi) The outstanding water amount of Rs.10,783,035 had been entered in the computer software system at 14th of September of water supply of Kandy General Hospital. However, in 2018, Rs.3,831,266 had been deducted as over charges without approval and Rs.2,536,717 was deducted from the outstanding as "wrong customer number 29363", and the balance of Rs.1,110,140 in the May 2008 water bill (initial water bill) had not been added to the outstanding amount. Accordingly, the water outstanding balance of Kandy General Hospital was understated by Rs.7,478,123 due to this misrepresentation
- It has been approved to remove over charges in government institutions. Accordingly, the correctness of the adjustments will be checked and the water connection No. 29363 had been given in the name of the Director, General Hospital and the amount of Rs.2,536,747 paid for it will be corrected from the bill No. 2402 and the wrong calculations will be corrected.
- Overcharges should be removed from getting the approvals and deductions from outstanding water bills should be collected correctly.
- (vii) According to the sample investigation 07 water consumers who did not pay the water charges on the due date Rs.1,057,897 had not been charged as the surcharges.
- If the bill is not paid within 14 days the surcharges will be added.
- Surcharges should be charged.

(d) Tax on Land

- (i) The land with medicinal herbs and the Mavilmada Textile center which were given on lease basis and had not been valued after 1986 and 2014 respectively. Rent of Rs.1,733,333 for the leased Textile center from 2013 to 11th of November 2021 and, rent of Rs.19,200 for the land and building in the land with medicinal plants from 2006 to 2021, and the total rent of Rs.1,752,533 had not been collected.
- That the lessee has been informed on 29th May 2023 to pay the arrears for the land and Textile center within one month.
- Arrears of rent should be collected timely.
- (ii) According to 13(1) of the By-laws of the Kandy Municipal Council as stated in Gazette Notice No.1249 dated on 29th August 2002 the sum of Rs.9,473,250 between the year 2017 and 2021 from 99 plots of land in Bowala area which had been leased by the Municipal Council. rent had not been collected and agreements had not been made with the relevant rent holders.
- 21 plots of land have been contracted in now and the remaining plots are in the process of being contracted. And also the arrears of taxes will be collected immediately.
- Arrears should be collected by entering into an agreement with the lease holders.
- (iii) According to the Local Government Commissioner's Circular No. 2013/06 dated 11th July 2013 although the rent should be charged from land rent property including the undeveloped value, the total rent amount related to the period from 2012 to 2021 is Rs.58,268,525 had not been charged from 599 leased lands according to the valuation report of 2008.
- Land rent billing has not been done after the year 2012. The outstanding balances will be calculated from the year 2013 to the year 2022 and annual billing will be done and action will be taken to collect the arrears from the year 2023.
- The land rent should be collected timely.
- (iv) Prior to 2012, the rents of 43 plots of land leased under plan No. 196,197 and 100 in Bogambara had not been valued and the rents had not been collected related to that time.
- The billing for these lands had not been done when the year 2012 and the reasons for this could not be found from the files. Action will be taken to collect the rent.
- Taxes should be collected on timely as agreed with the lease holders.

- (e) **Rent**
Rs.7,034,650 stall rents had not been collected from 45 stalls in Bogambara marketing complex which have been in arrears since 04 years.
- Action will be taken to collect. The arrears stall rent should be collected.
- (f) **Other Income**
A total of 390 advertisement boards worth Rs.3,033,812 were abandoned from the survey in the year under review and in the physical inspection of the advertisement boards mentioned in the survey report, identified 11 large advertisement boards as such under stated by Rs.1,037,512. Although an annual advertisement board survey was to be conducted and submitted to the officer-in-charge before 31st of March, but the survey reports had not been submitted on the due date.
- Stickers have not been surveyed as an advertisement boards so far, and from here will consider them as advertisement boards as well. That action have been taken to bill and collect fees for 390 advertisement boards.
- Survey and advertisement board revenue should be charged.

2.2.3 Court fines and stamp duty

Audit Observation

Stamp duty that should have been received from the Chief Secretary of the Provincial Council and other authorities on 31st of December 2022 were Rs.72,261,900

Comments of the Council

Further due stamp duty will be collected.

Recommendation

Outstanding revenue should be collected.

3. Operational Review

3.1 Identified Losses

Audit Observation

As per the F R 104 investigation Rs.31,250,000 should be collected from the responsible parties had not been collected regarding the D.S. Senanayake Public Library Auditorium was destroyed by fire in year 2007.

Comments of the Council

According to Section 254(a)(2) of the Municipal Council Ordinance, the committee appointed by the Commissioner of the Local Government has informed the

Recommendation

The losses should be charged decided by the investigation of F R 104.

Municipal Commissioner has the authority power to collect money. That a letter dated on 19th September 2022 was sent to those officers under the signature of the Municipal Commissioner asking them to pay the surcharge.

3.2 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) The open-air garden (Sahas Uyana) consisting of 05 elements on the upper floor of the municipal parking lot had been leased under the operating lease system for its operations, management and maintenance based on a project report without a valuation. Although the rent should be valued and charged once in 03 or 05 years, the rent amount taken from the lessee year after year was tendered for 15 years without doing so. The tender was awarded for an amount of Rs.280,000 for the first year and Rs.5,265,089 for 15 years in such a way that it increases to a very low amount.	Although requests to get a valuation from the valuation department in the years 2021 and 2022, the valuation reports have not been received yet. Accordingly, that the lease has been tendered upon the approval of the council meeting.	Valuation reports should be obtained and followed.
(b) In the physical inspection of this project, in the inspection of its utilization and revenue collection, it was revealed that although the lessee had earned an income of Rs.5,539,179 per month and Rs.280,000 had been given as rent to the Municipal Council.	This premises is leased for 15 years under operating lease. Since the leasing proposals for this project were prepared in the first half of 2021 and the economic and financial background at that time was very different from the current situation.	Valuation reports should be obtained and corrected.

- (c) 100 stalls were built in Sahas Uyana premises located in the center of the city and 127 entrepreneurs were registered for it and those entrepreneurs were given space to engage in business on a daily basis. Accordingly, an income of Rs.4,160,000 should be obtained from the 100 stalls in the premises during the period from 7th of July to 31st December 2022, but an income of Rs.2,499,800 had been lost to the council fund due to the fact that no arrangement has been made to utilize the 100 stalls, in relation to the period from July to December 2022. Although 100 stalls had been built in Sahas Uyana premises, 60 stalls including 03 stalls allocated to the Municipal Council had been closed since 07th of July 2022.
- Arrangements have been made to provide stalls on a daily basis so that all entrepreneurs get the opportunity. However, some entrepreneurs have reserved stalls by paying money, but they have to keep the stalls closed due to non-operating business in them. That the tendering and leasing process have been arranged without damage the basic concept due to the expected revenue have not being receive from these stalls.
- The plan should be prepared so that all stalls are utilized.
- (d) In accordance with Section 01(vi) of the Circular No.2016/03 dated 17th March 2016 of Commissioner of Local Government of the Central Province, 13 of old stall owners in Tomlin Garden had been given long-term leases without charging key money. Accordingly a sum of Rs.35,400,000 had been lost to the Municipal Council. The stall rent of Rs.1,647,195 remained outstanding as on 31st December of the year under review due to non-payment of rent according to the valuation report payments should be done from 01st of August 2022 of the chief value No. KD/RP/4252 dated 23rd of May 2022.
- It has been stated that key money had not been charged and that the action have been taken according to the stall circulars and the council agreement No. 08(23) dated on 19th of November 2021. The rent has increased by a huge amount as per the new valuation, the concerned rent holders have requested to reduce for the rent. But stall rent will be billed according to the new valuation report.
- The provisions of the circular should be followed.

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| (e) | It was observed that the Aruppala branch library building belonging to the Municipal Council was not being used and was remaining idle. | That this will be investigated and reported in the future. | Assets owned by the council should be utilized. |
| (f) | As at the last day of the year under reviewed the balance of the 07 payable accounts in the financial statement were Rs.1,306,347,907, out of that total balance between 01 and 05 years was Rs.776,028,241 and the total of accounts balance that was over 05 years was Rs.50,443,104 had not been settled. | That expense creditors, general, water and salary creditor balances between 01 and 05 years will be investigated and settled in future. | The payable account balances should be settled. |
| (g) | A balance of Rs.48,599,525 to be collected from the Ceylon Electricity Board has been continuously brought forward in the account but the arrangement had not been taken to settle these balance. | This balance will be corrected. | Account balance should be settled. |

3.3 Idle or underutilized Property, Plant and Equipment

- | Audit Observation | Comments of the Council | Recommendation |
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| (a) The bob cab of Rs.8,067,600 that had given for the waste water project was received on 23 rd of August 2019, and it was not used until on 10 th of September 2022. | The majority of vehicles are used in emergency situations such as waste water overflows and blockages. | The assets should be invested in efficiency. |
| (b) During the audit, it was observed that 10 vehicles worth Rs.107,860,200 used by the council were not being used sufficiently. | That the vehicles will be used. | The vehicle should be invested in efficiency. |
| (c) The furniture and library books worth of Rs.2,950,000 and 06 vehicles and machinery worth Rs.19,236,800 as of the last day of the year under review remained idle and underutilized from 2016 to 2020. | Due to the too much technical defects of 06 vehicles, directed to the industrial workshop and certain assets will be usefully used and the assets to be auctioned will be auctioned. | It should be repaired and should be used. |

3.4 Assets Management

Audit Observation	Comments of the Council	Recommendation
Unclaimed Assets		
(a) It had not been taken over the ownership of 31 vehicles worth Rs.169,768,600 given to the council by the waste water project.	That a letter has been sent to the Project Director on 09 th of June 2022 informing him to proceed with the registration in the name of the Municipal council.	The vehicles should be taken over.
(b) Although 10 houses were purchased for Rs.1,700,000 in the year 1993 from the National Housing Complex in Aruppola belonging to the National Housing Development Authority, the ownership had not been taken over.	That a committee will be appointed and action will be taken on these 10 houses and will be take over.	The ownership should be taken over of government houses owned by the council.

3.5 Defects in Contract Administration

Audit Observation	Comments of the Council	Recommendation
(a) Inspection of construction and demolition of safety wall near 97/A, Nagasthanna Road – Rs. 1,516,014		
(i) The retening wall constructed in last year was destroyed on 26 th December of the year under review.	The wall will be demolished and the damaged pipe system will be rebuilt in the near future.	Investigations related to damage should be conducted and action should be taken for officers who are responsible for damages.
(ii) In spite of the plan approved on 28 th of February 2021 regarding the retening wall instead the retening wall was constructed according to another plan prepared by the technical officer, which was not approved by the engineer.	That this estimate was prepared for the preservation of the falls due to the landslide of the part of the falls near to the road at this place, due to proper preparation of the road to eliminate the impact on the road.	Should be worked under the formal approval.
(iii) The total height of the wall is 16 feet, out of which 14 feet 06 inches was observed. Accordingly, the foundation was built about 1 ½ feet	The works superintendent of the special project has retired. It has been confirmed that the quality of concrete has been maintained and	Works shall be executed under proper supervision as per standards and specifications of approved estimate.

from the ground level to underground. Under subject no. 02 and 03, it was estimated to remove 45 cubic meters of soil, out of which 06 feet depth of soil was to be removed and the wall was to be constructed, but only 2 ½ feet of soil was removed and the wall was constructed. Also, under subject no. 12, the soil 148 cubic meters should be transported and filled and crushed for back filling but not doing so. In Subject No. 08, only Weep Holes were build and Filter Area and Foot Base were not prepared for 15 Weep Holes, Due to working outside the approved estimate, this retaining wall collapsed and caused a loss of Rs.1,516,014 to the Municipal Council.

the construction has been carried out as per the plan given by Zone 03 Engineer. That the weep hole was insufficient.

- (iv) It was observed that the recently constructed drainage system was completely damaged due to the collapse of the safety wall and it cannot be remove out that compensation will have to be paid for it as well, and that the removal of the collapsed wall will also incur high costs.
- That the damaged pipe system will be rebuilt.
- The action should be taken for Responsible parties.

(b) Construction of solar street lights for sports Grounds - Rs.1,612,000

Taking into consideration the amounts that were physically built in this industry and considering the value to be paid for a solar panel with pole as Rs.46,546, for 13 solar panels with pole Rs.605,098 should be paid but the contracted amount was Rs.1,612,000. Had been paid for 13 solar street light poles without such consideration. Due to this an

02 institutes did not submit specifications and samples for street light kit with base. 50 mm GI pipe is specified to install the lamps at a height of 08 meters from the ground level, but it is difficult for maintenance purposes and the contractor has been instructed to install the height at 6.5 meters. Accordingly

Justification reports should be prepared and approved. Preparing the estimate specifications considering the need and, the work should be executed under proper supervision, the work done should be inspected and payment recommendations should be made accordingly.

amount of Rs.1,006,902 was overpaid. will be reduce the overpaid amount from the payable amount to the institution in the future. Since the length and width of the base were not specified in the plan given by the contractor it was stated that the base would be 1'x 1' when asked over the phone.

3.7 Human Resources Management

Audit Observation	Comments of the Council	Recommendation
(a) Employee vacancies and excess		
There were 491 vacancies related to 70 approved staff positions and 33 excess employees related to 03 positions At the end of the year under review	As per the circulars, the recruitment has been suspended for now. Vacancies will be filled as per requirement.	Vacancies should be filled.
(b) Employee Loans		
As of the last day of the year under review, the outstanding balance of Rs. 16,217,899 had not been collected from 126 officers who were transferred and 43 officers who were suspended and left the service for a period of 02 to 24 years.	That the action will be taken to collected.	Outstanding loan balances should be collected.