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04 August 2022



2018 අංක 19 දරණ ජාතික විගණන පනතේ  
14 වන වගන්තිය ප්‍රකාරව පාර්ලිමේන්තුව වෙත  
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2018 இன் 19 ஆம் இலக்க தேசிய கணக்காய்வு அதிகாரச்சட்டத்தின்  
14 ஆவது பிரிவின் பிரகாரம் பாராளுமன்றத்திற்கு சமர்ப்பிக்கப்படுகின்ற  
கணக்காய்வாளர் தலைமை அதிபதியின் மூன்றாண்டு அறிக்கை

**Triennial Report of the Auditor General presented in  
parliament in terms of Section 14 of  
the National Audit Act, No. 19 of 2018**

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මහ නගර සභා  
மாநகர சபைகள்  
Municipal Councils

ජාතික විගණන කාර්යාලය  
தேசிய கணக்காய்வு அலுவலகம்  
NATIONAL AUDIT OFFICE



**Triennial Report for the Years 2018, 2019 and 2020**

**Municipal Councils**



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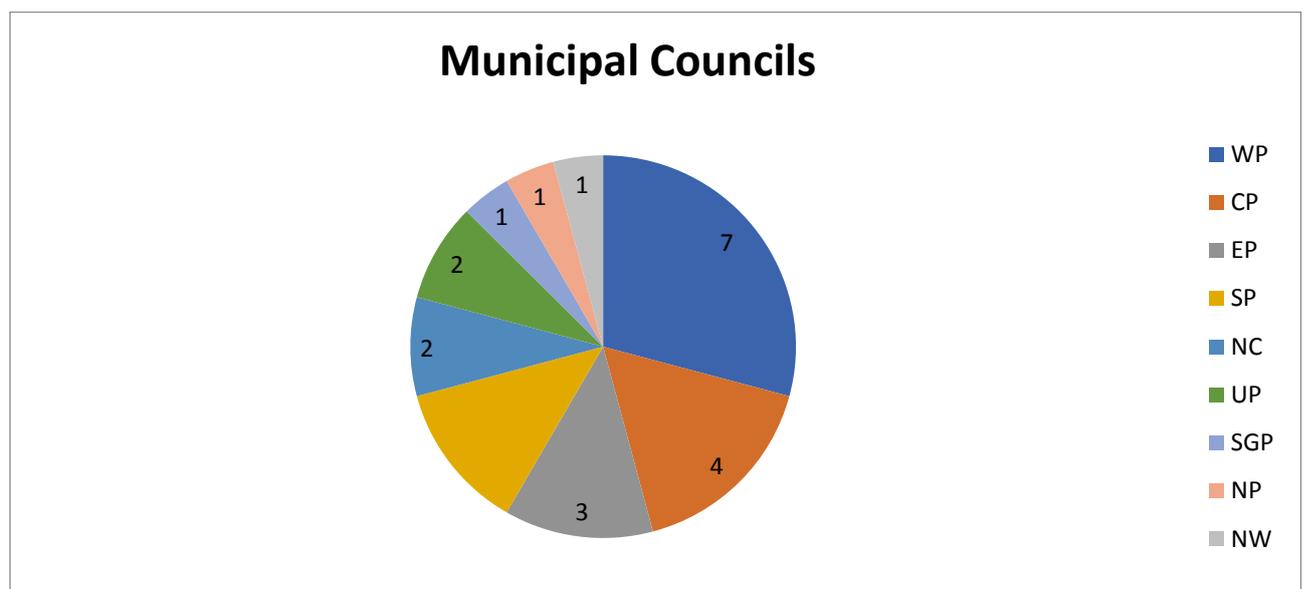
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Apex body in the Local Government Structure. is the Municipal Council Local Authority Principal law governing this structure of these local bodies is the Municipall Councils Ordinance No. 16 of 1947 (Chapter 252)

Basic functions of Municipal Councils are administration of all matters relating to public health, public utility services, public thoroughfares and generally with the protection, promotion of the comfort and convenience and welfare of the people and the amenities of the Municipalty. The main structure of these municipal councils consist of the Mayor and Deputy Mayor and such number of other councilors as the Minister may prescribe by Order published in the Gazette.

Sri Lanka consist of 24 municipal councils covering the main Provincial Councils. 7 municipal councils for Western Province, 4 municipal councils for Central Province, at the rate of 3 municipal councils for Eastern and Southern Provinces, at the rate of 2 municipal councils for Uva and North Central Provinces, at the rate of 1 municipal council for , North Western, North and Sabaragamuwa Provinces have been established. Expansion of these municipal councils according to provinces is shown in the following diagram



(Diagram 1)

According to financial statements of 24 municipal councils for the three years 2018, 2019 and 2020, overall revenue amounted to Rs.80,392 million, while overall expenditure according to financial statements for these three years amounted to Rs. 80,443 million. When compared with the year 2018, improvement of revenue of these 24 municipal councils by the year 2020 was 2.6 % while increase in the expenditure was 0.8 %. While a deficit was shown according to financial statements of 7 municipal councils for the year 2018, overall total of those deficits was Rs.1,020 million. By the year 2019, deficits were shown according to financial statements of 12 municipal councils out of these municipal councils, overall deficit of those municipal councils was Rs. 2,186 million. However, by the year 2020, deficits were shown according to financial statements of 2 municipal councils out of these municipal councils, overall deficit of those municipal councils was Rs.431 million. When these deficits are analysed, a clearcut feature observed was the indication of deficits of Colombo Municipal Council amounting to Rs, 883 million, 1195 million and 367 million respectively, during the years 2018, 2019 and 2020. Out of these municipal councils, a surplus was shown in 9 municipal councils for the three years 2018, 2019 and 2020.

According to financial statements presented by the municipal councils total assets in the 24 municipal councils had been presented as Rs. 52,231 million for the year 2018, Rs 55,435 million for the year 2019 and Rs. 104,130 for the year 2020. Accordingly, when compared with the year 2018, the growth of total assets of these municipal councils had been 100 percent by the year 2020. When compared with the year 2018, total assets of the Sri Jayawardhanapura Municipal Council had been increased to Rs. 41,026 million by the year 2020. This increase was due to revaluation of assets and taking the value of land and building to Accounts in preparation of Accounts of the Local Authorities in the Western and North-Central provinces as per Sri Lanka State Sector Accounting Standards for Local Authority since the year 2020.

According to financial statements presented by the municipal councils total liabilities in the 24 municipal councils had been presented as Rs.. 15,052 million for the year 2018, Rs 19,196 million for the year 2019 and Rs. 21,005 million.. The total liabilities of the Kurunegala Municipal Council had increased to 336 % by the year 2020 when compared with the year 2018. Reason for this was the increase in the loan capital in a sum of Rs.695 million during the year 2020 when compared with the year 2018 .

The net assets of 24 municipal councils as at 31 December 2020 amounted to Rs. 92,030 million. Out of this, Sri Jayewardhanapura Municipal Council represented the highest net assets in a sum of Rs. 41,736 million, while Hambanthota Municipal Council represented the lowest net assets in a sum of Rs. 139 million.

In terms of Section 219 of Municipal Councils Ordinance (Chapter 262) and National Audit Act No. 19 of 2018, financial statements had been presented for audit by all municipal councils. Those financial statements relevant to the years 2018, 2019 and 2020 were audited and summary and management reports enclosing opinion were forwarded to all councils in terms of provisions in sections 11(1) and 11(2) in the Audit Act. Qualified opinion for 22 Municipal Councils, disclaimer opinion for Anuradhapura Municipal Council unfavorable opinion for Kaduwela Municipal Council for the year 2018 had been expressed. Qualified opinion for 20 Municipal Councils, unfavorable opinion for Negombo, Anuradhapura, Polonnaruwa and Batticaloa Municipal Councils for the year 2019 had been expressed. Qualified opinion for 23 Municipal Councils, and unfavorable opinion for Matale Municipal Councils for the year 2020 had been expressed. When taken as a whole, 92 % qualified opinion for municipal councils for the year 2018, 83 % qualified opinion for municipal councils for the year 2019 and 96% qualified opinion for municipal councils for the year 2020 been expressed.

In terms of Section 14 Of the National Audit Act No. 19 of 2018, within nine months after at the end of every three financial year period a status report of every entity audited shall be tabled in the Parliament by the Auditor General. Among matters to be included in this report, major deficiencies identified, recommendations made by the Auditor General for those and preventive action taken by the entity in that connection should be included, while position prevailed at the time of handing over such report should be indicated. Audit observations of 24 Municipal Councils not settled up to now are shown below.

## 1. Kandy Municipal Council

	<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Steps taken by the entity</b>	<b>Present Position in that connection</b>
(a)	A sum of Rs. 80,583,133 recovered in respect of unauthorized constructions had been invested on fixed deposits without being used to fulfill the projects in terms of agreements.	Funds should be used for relevant projects in terms of agreements.	Funds will be utilized to remove trade stalls situated near Bogambara standby bus halt and to make those according to the proper standard.	Funds remained unspent.
(b)	Action had not been taken to recover Water Charges to be recovered for the years 2017 and 2018 mounting to Rs. 1,013,466 from the lessee of the Katugasthota public latrine	Arrears money should be recovered.	It has been informed that action will be taken to take a decision by referring to the council.	Recoveries or other course of action had not been made.
(c)	Although it had been confirmed the submission of fraudulently altered educational	Action should be taken with regard to officers responsible.	Although an officer had been appointed to conduct a preliminary investigation by the Commissioner of Local Government, Municipal	Investigation had not been finalized and course of action had not

certificates by a female family health officer, a proper course of action had not been taken in that regard. That female officer had been promoted to class ii of the family health service and salaries and allowances amounting to Rs. 3,130,652 had been paid for the period from 01 January 2008 to 31 July 2017. Although this had been referred to the municipal commissioner to conduct a preliminary investigation by the Central Province Commissioner of Local Government, preliminary investigation had not been carried out up to now.

Council had not taken been taken. further action.

- (d) When placing Action should be Placing forged signature is Relevant signatures to the taken with accepted. Preliminary action had not

bid evaluation regard to officers investigation report and been taken technical committee responsible. analyst report are awaited with regard to report for creating the deficiency. computer software relevant to reparation of rates, miscellaneous revenue, water, stores accounts of the council, signature of the dean of the science faulty of Peradeniya university, who was the external committee member, had been forged in procurement work valued at Rs. 8,659,200.

- (e) While the water Procurement Course of action not taken. Any course of pipes laying work process should It has been informed that action had not adjacent to main be followed. work is being executed been taken in town from Kandy to Katugathota had been assigned to a contract body for a value amounting to Rs. 210,528,076 during the year 2016, in the relevant audit inspection it was observed that, proposal to award the contract to relevant contract delegated to the officers. connection with officers responsible. While the chief engineer has retired, his pension has been suspended.

firm had been made by the water works engineer and relevant project had been given to the relevant firm for a sum of Rs. 210,528,076.

Therefore, the procurement process had been implemented without transparency.

Contrary to procurement guidelines 2.6.1(a) II, Chief Municipal Engineer and the Water Works Engineer who prepared and recommended the specification relevant to the contract had functioned as the chairman and member of the technical evaluation committee as well.

- (f) While trade stalls in Action should be It has been informed that Billings for 16 down floor of the tken to reover trade complex will be stalls has been Keppetipola Trade amounts in repaired and will be stopped. Complex had been arrears and to provided to the lessees. Amounts in closed since a long rent out the arrears had not period of time, rent stalls. been amounting to Rs. recovered. 1,221,291 due from

34 stalls had been in arrears for more than 02 years.

- |     |   |  |   |  |
|-----|---|--|---|--|
| (g) | <p>When granting compensation claims to the stall owners of the Goods Shed Trade Complex, under Perceptive Urban Development Project, compensation claims had been paid and finalized without recovering rent receivable to the council amounting to Rs. 4,235,468.</p> | <p>Compensation shroud be paid according to precise procedure.</p> | <p>Scheduled to be discussed in order to take a decision</p>              | <p>Shortcoming not resolved.</p>   |
| (h) | <p>Although only a sum of Rs. 58,800 had been recovered on account of damage caused to the water meter during the year 2015 by a water consumer of the council, the sum of Rs. 2,495,723 due to be recovered on account understated water consumption due to meter</p>  | <p>Losses should be recovered.</p>                                 | <p>Computation of stated water consumption under due to meter damage.</p> | <p>Course of action had not been taken with regard to the shortcoming.</p> |

damage had not been recovered.

- (i) Fines amounting to Rs. 1,878,500 due to be recovered since the year 2018 from 10 business units for residing without obtaining certificates of conformity had not been recovered. Compliance with provisions in Municipal Councils Ordinance. Referring a letter to the Commissioner of Local Government seeking instructions. Not recovered.
- (j) Displaying 43 advertisement boards without obtaining license subject to fees payable amounting to Rs. 2,567,440. Should comply with the set of by-laws. Action will be taken to file court cases in terms of by-laws after field inspection. Shortcoming not resolved.
- (k) A sum of Rs. 70,029,564 due since the year 2019 as market lease money and tender fees for trade stalls and a sum of Rs. 21,768,049 due from Manikkumbura Market Complex had not been recovered. Collection of revenue receivable. Action will be taken to send a reply soon for this. Not recovered.

- (l) A sum of Rs. 8,132,601 due to the municipal council from Urban Development Authority for leasing out Peradeniya Rest House had not been recovered. Revenue Receivable should be collected according to letter issued from Lanka Rest House Limited. Reduction of charges from 70 percent to 65 percent according to letter issued from Lanka Rest House Limited. Not recovered.
- (m) Adequate action had not been taken to recover a sum of Rs. 13,306,602 due as Advertisement Board Charges outstanding over a period exceeding 05 years and amounts due on account of accidents to vehicles and a sum of Rs. 109,4i95,156 as rent, land tax, and vehicle fees that had elapsed a peerid ranging from 01 to 05 years. Balances receivable should be recovered. Action will be taken to send a reply soon for this. Action had not been taken to recover or legal proceedings.
- (n) Although the undeveloped assess value of urban land located at No. 74, Daladha Street Leasing out property according to a lawful method A decision has been taken to recover the relevant money and to vest the possession. Recovery of dues or vesting possession not done.

occupied by outside parties since the year 2007 without following tender procedure or entering into agreement had been assessed as Rs. Rs. 55,000,000 during August 2015, adequate action had not been taken to recover any sum or to vest the possession or to resort to legal proceedings.

**2. Nuwaraeliya Municipal Council**

(a) A sum of Rs.15,987,248 was outstanding to be recovered from 40 boat owners for the period from the date of commencement of the boat service up to 30 April 2021. in the Gregory Tank.

Action should be taken to recover the arrear of revenue without delay.

Boat running has been stopped until finalising the payment of arrears.

Arrears as at 31.07. 2021 was Rs 18,046,915.00 . It was informed in writing that permission will be granted for boat running only after first payment of 25 % of arrears. It has been mentioned that the baalance

- amount should be paid before 31 March 2022.
- (b) Overall revenue lost to the council since the year 2003 due to non-recovery of new assessed rent as per assessment dated 27 February 2003 of the Chief Valuer and as per assessment of the Central Provincial Valuer's assessment of stall rent dated 21 August 2019 due to objections of the stall holders and municipal council members, amounted to Rs..254,786,700. Decision should be taken avoiding a loss to the council fund. This has happened due to objections arisen. Assessment made during the year 2009 was referred to the Council and the decision taken was to increase the assessment then in force by 25% and to make the recoveries accordingly. It has been informed that stall rents are being recovered accordingly up to now.
- (c) According to the condition II (2) of the agreement entered into between the Municipal Council and stall holders, Action should be taken to transfer ownership to the sublessee. Action will be taken according to instructions of the Commissioner of Local Government in due course. It has been informed that required approval to change the names of the trade stalls

trade stalls can not be subleased. However, it had been confirmed that 90 trade stalls had been subleased. According to circular No. 2016/3 dated 15 August 2016, of the Commissioner of Local Government,, in an occasion of subleasing permission has been given to transfer ownership to the sublessee obtainng 120 months rent. However, action had not been taken upto 28 April 2021 to transfer owneship of any subleased trade stall.

according to circular No.2016/03 was referred to the council and further action is in progress.

- (d) The quarry and the land in extent of about one acre at Bambarakele had been leased out for one year on 24 December 2008 to Decesion should be taken avoiding a loss to the council fund. Files were taken to the Commission of Bribery and Coruption and an inquiry is in progress. Before takingover the quarry and the land it was necessary to settle the boundaries

an entrepreneur for a sum of Rs.26,500.

Although the agreement period expired on 24 December 2012 according to the second sub clause of the lease agreement action had not been taken to takeover the land and the quarry even up to the end of the year 2020.

and therefore requests have been made to Nuwaraeliya Divisional Secretariat for survey work.

### 3. Matale Municipal Council

- (a) According to Land and Buildings Survey reports, outside individuals had constructed unauthorized house and residing in two lands valued at Rest. 2,600,000 belong to the Council. However, any course of action had not been taken in that connection.
- |                                    |   |  |
|------------------------------------|---|--|
| Should follow the proper procedure | Preventive course of action not stated. | Any course of action had not been taken... |
|------------------------------------|---|--|

- (b) While the block of land in extent of 01 Rude and 25.7 Perch situated at Nagolla had been leased out on long term basis during the year 1988, unauthorized construction had been made there by the lessees. Action had not been taken to recover lease rent of Rs.31,280,000 for these trade stalls.
- Relevant problems should be settled by taking legal action.
- Letters have been referred to the commissioner of Local for leasing out legally among the 12 stall holders. The problem arisen with regard to the individuals to be selected has been referred to the council lawyer for settlement..Please be informed that action will be taken in terms of Section 40(i) e of the Municipal Councils Ordinance after receipt of the relevant report.
- Course of action had not been taken for unauthorized constructions and arrears lease rent had not been recovered.
- (c) Legal action had not been taken with regard to construction work done by a private contractor for his project yard during the year 2018 in the Parawatta Land in extent of an acre, belong to the council,
- Taking necessary legal action with regard to unauthorized construction works.
- Legal action will be taken with regard to this land.
- Legal action had not been taken.

(d) Contrary to Section 179 (a)(b) of the Municipal Councils Ordinance (Chapter 252), an individual who had entered into agreement as lessee of stall No. 60 of the super market complex in the Matale town, had been appointed as a council member vide extra ordinary gazette notification No. 2061/42/-05 dated 09 March 2018.	Comply with provisions in the Ordinance and taking action to recover arrears money.	Instructions given to comply with legal requirements and circular requirements.	Action had not been taken with regard to the relevant council member and relevant amount had not been recovered.
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Action too had not been taken to recover a lumpsum amount of Rs.1,296,456 and a fine of Rs. 3,488,945 as at the end of the year under review.

- (e) Rates in arrears due from private properties exceeding Rs. 15,000 per rate unit, amounting to Rs.6,695,597 and balance of rates arrears amounting to Rs. 3,837,103 due from Public Institutions had not been recovered as at 12 November 2021.
- Taking action to recover arrears of rates and following necessary legal procedure.
- Relevant officers have been instructed to expedite required course of action for recovery of arrears of revenue.
- There were further outstanding amounts.
- (f) Action had not been taken to recover a lump sum amount totaling Rs. 3,389,297 due according to agreements entered into during the year 2009, from 14 stalls and fines calculated relevant to that totaling Rs.22,880,827.
- Taking action to recover the amounts receivable.
- Instructions have been given to prevent this type of incidence in future.
- Any recovery had not been made.

(g)	<p>While 22 stalls out of 29 stalls located in the ground floor and the first floor of the Ambagahamula Bus Stand had been kept closed since a period of 18 years, and allowed to get extinct, second floor had been constructed having spent a sum of Rs. 10,794,600 without identifying the specific necessity and without making a feasibility study. While the walls and beams of the first floor had been cracked and burst, and building was not in stable condition, second floor had been erected on that without an approval of the Building Planning Committee. The roof on top of the constructed second</p>	<p>When implementing projects, those should be properly planned after considering necessity and correct feasibility study, properly planned and.</p> <p>Should be carried out according to those technical methods.</p>	<p>Attention to be made in connection with projects of this type in future.</p>	<p>Relevant corrections had not been made</p>
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floor too, had not been constructed to proper standard.

**4. Dambulla Municipal Council**

<p>Although a Clinic Centre and a Body Building Centre had been constructed for a value of about Rs. 1,000,000 in Thithawelgolla area and body building equipment for a value of about Rs.1,000,000 had been fixed; action had not been taken to use those since the year 2015.</p>	<p>These assets Should be used.</p>	<p>It was informed that. Action will be taken to use the Centre in due course.</p>
		<p>Lapses not rectified</p>

**5. Matara Municipal Council**

<p>(a) Commission amounting to Rs.1,365,965 had been paid to 11 officers of the Municipal Council for collection of stamp fees revenue having misinterpreted the clause 8.1 of the Circular No.</p>	<p>Council should pay attention to unsettled audit paragraphs</p>	<p>Any officer has not been engaged for collection of revenue due from outside areas and any payment of commission has not been made after receiving this audit query. Any sum has not been received with regard to amounts receivable from outside areas and therefore it is not possible to assess the financial loss occurred to the Council.</p>
		<p>Action has not been taken to recover</p>

1984/19 dated 20  
November 1984 of  
the Commissioner of  
Local Government.

- |     |  |   |  |  |
|-----|--|---|--|--|
| (b) | Council had not taken legal action with regard to 11 unauthorized trade stalls constructed causing obstruction to pavements and public places. | Action should be taken to remove unauthorised trading | It has been proposed to remove after consulting the municipal engineer.  | Action not taken to remove unauthorized trading. |
| (c) | Three lands in extent of 40.91 perches belong to the Council were being used by private parties without approval of the Council.               | Legal action should be taken immediately.             | It has been approved by the general council vide decision No. 223 e.3 dated 09 July 2020 to appoint a committee, as per recommendation No. 2020/M/MCFinanceP/06 dated 22 June 2020 of the Standing Order Committee on Finance and Policy Making recommendation in terms of Southern Province Financial Rules 561 to carry out survey of land and buildings. Accordingly, action will be taken in due course. | Legal action had not been taken.                 |

**6. Galle Municipal Council**

Sum of Rs. 111,553 outstanding since the year 2003 had not been settled.	Suspense Account balance should be settled	Requests have been made to the Governor to write-off the suspense account balance	Request for write-off, of this balance has been
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submitted to  
the Hon.  
Governor and  
the  
Commissioner  
of Local  
Government.

## 7. Hambanthota Municipal Council

- (a) Although the stalls Should comply While all lessees were Although all  
rent had been with the informed through letters, lessees were  
assessed and Circular. lessee did not agree to enter informed  
sanctioned by the into agreements. again jn  
Council in terms of writing,on 21  
paragraphs 02 and february 2021,  
03 of the Circular no response.  
No. SLG/CLG/2010//01  
dated 27 December  
2010, the old rent  
had been recovered  
for 50 trade stalls  
and 10 lands belong  
to the Council. Loss  
occurred to the  
council fund due to  
this for the period  
from January 2016  
to 31 December of  
the year under  
review amounted to  
Rs.11,268,359.

(b) Although a quantity between 30 and 50 tons of garbage is required per day for production of carbonic fertilizer through Kawashima Project implemented at solid waste center of the Council, on 25 June 2020 at an expenditure amounting to Rs. Rs. 300 million, the quantity of daily collected garbage had been between 01 and 1.5 and the Council had failed to collect the dally garbage requirement. A system had not been introduced to collect the required quantity.

Projects should be commenced after a feasibility study and a methodology should be introduced for implementation.

While this project had been proposed along with projects proposed to be implemented centered on Hambanthota town, those projects had been stopped hallway. Due to that, it was not possible to collect the expected quantity of garbage from 4 Pradeshiya Sabah adjacent to the Council informed in writing that, it is not possible to provide garbage for this project.

Expected quantity of garbage not received due to stoppage of Development plan proposed to be implemented centered on Hambanthota town,

### 8. Bandarawela Municipal Council

While Land belong to the Council had been leased out on long term basis to 24 individuals since the year 1987, arrears lease money

Action should be taken to recover all lease money in arrears.

Action is being taken to recover this money at present.

Although it was informed that lease money should be paid monthly, any payment had

to be recovered amounting to Rs. 4,881,060 had not been recovered.

not been made by them up to now.

Legal action to be taken in the event of non-payment of lease money within the relevant period by them.

## 9. Badulla Municipal Council

- (a) Instead of recovering taxes for 252 trade stalls based on the new assesment in terms of Circular No. 1980/46 dated 31 December 1980 of the Commissioner of Local Government, taxes had been recovered based on 2002 assessment. Due to that, an income of Rs.53,265,050 had been lost as at 31 July 2019.
- Taxes should be recovered based on the newly assessed value as per circular instructions.
- Council approval has been received to recover certain amount of new lease rent according to particular places and those recoveries too have been temporarily stopped. Action will be taken again based on a decision to be taken by the Council.
- Although the lessees were informed that the stalls rent will be recovered with effect from January 2021 based on 2015 assessment, they have submitted appeals refusing payment of taxes.
- Action is being taken to revise taxes again on the instructions of the Governor.

- (b) Arrears of tax amounting to Rs.1,756,005 outstanding for the period from year 2012 to year 2019 from two cinema halls functioning in the the Badulla town had not been recovered. Taxes iii arrears should be recovered immediately. Although the manager was informed to pay the entertainment tax, payment had not been made. Unsold ticket books have been taken to custody of the Council. In such instance, a temporary agreement too had been entered into promising to pay amounts in arrears. In that only two installments have been paid and the balance not paid. While cases are being filed, cases have been already filed from m88/21 to m96/21 in the District Court for the year 2015.

#### 10. Anuradhapura Municipal Council

- (a) A sum of Rs.662,644 had been paid to 40 members of the procurement committee meetings relevant to procurement made under the method of market price quotations in terms of paragraph 2.9.1 in Procurement Guidelines. Allowances not entitle as per Guidelines should be recovered from the relevant officers. It has been informed that it has acted according to conditions imposed relating to tenders by the Anuradhapura Municipal Council under Section 229 of the Municipal Councils Ordinance. Not recovered.
- (b) It is required to recover ten percent of the salary from a married officer when he is in occupation of Action should be taken in terms of the Establishments Code. Under proposal No. 05 (48), decision No 44 was taken at the general council meeting held on 13 October 2009 to grant permission for free occupation of official Although the ex-municipal commissioner had gone on transfer in June 2016

scheduled quarters of the government. However, a sum of Rs.201,017 for the period from November 2009 to June 2016 and a sum of Rs. 99,662 for the period from 01 January 2020 to 31 December due from the ex - Municipal Commiissioner had not been recovered while penalty rent for the period for which approval not given amounting to Rs. 273,949 too had not been recovered. Similarly, action had not been taken under Government Housing Act (Vesting Ownership) No. 07 of 1969 in connection with this officer.

quarter for the Municipal Commissioner. from the municipal council, he was in occupation of the quarters without handing over to the present municipal commissioner. Rent for the period of occupation by the ex-municipal commissioner and the penal rent for the period of occupation without proper approval (from 01 April 2018 to 31 December 2020) as well had not been paid.

- (c) In terms of the gazette notification No. 2086/15 dated 29 August 2018 of the Democratic Socialist Republic of Sri Lanka, private secretary and the public relation officer in the mayor's private staff can be paid allowances subject to a maximum of Rs. 25,000. However, they had been paid at the rate of Rs. 35,000 monthly for the period from August 2018 to December 2019. Telephone allowance too had been paid monthly, at the rate of Rs. 5,000 to the private secretary from April 2019 without legal provision as per that gazette notification.
- Overpayments as per gazette notification should be recovered.
- It has been informed that payments were made on the basis of council decisions.
- Payments of these allowances were made under the authorities vested in the Municipal Council. Approval of the Governor has not been obtained.

- (d) While no authority has been given for payment of salaries and allowances to officers in the island wide service or provincial public service in Sections 188(a) to (s) in the Municipal Councils Ordinance (Chapter 252), and without prior approval of the minister in charge of the subject or the governor a sum of Rs. 3,496,082 had been paid to 32 officers as incentive allowance for the year 2018.
- Proper approval should be obtained for payment of allowances.
- Payments have been made under council approval. It has been informed that approval of the Hon Governor will be obtained in due course.
- An approval of the Governor had not been obtained.
- (e) Action had not been taken to recover rates in arrears amounting to Rs. 96,822,402 as at 31 December 2020
- Immediate course of action should be taken as rates in arrears had increased
- It has been informed that necessary action will be taken to increase the percentage of recovery of rates in due course.
- Action is being taken to recover rates in arrears.

- (f) Action had not Attention is While formal letters have Action is been taken to drawn to take been issued for recovery of being taken to recover stalls rent legal action for rent in arrears, future action file cases. in arrears the recovery of will be taken according to amounting to Rs. stalls rent in council decisions with 45,698,842 as at arrears. regard to requests of the 31 December stall holders. . 2020.
- (g) Although it had Relevant Department of Local A preliminary been recommended disciplinary Government has conducted investigation in the preliminary order should be a preliminary investigation. is being done investigation report obtained Action will be taken by the conducted that a immediately and accordingly after the receipt Department of sum of Rs.825,000 action should be of the disciplinary order. Local should be taken to recover Government. recovered from the money from the It had not been relevant officers relevant parties. possible to recover in the responsible, being one fourth of the absence of a fire loss formal amounting to Rs. disciplinary 3.3 million, order. occurred on 18 September 2014, to the excavator machine engaged on Thirikkulama Rehabilitation Project, action had not been taken to recover that money.

- (h) Necessary action had not been taken to settle the financial loss amounting to Rs. 47,174,493 caused to the council fund from two misappropriations took place during the period from 2012 to 2018.
- While recovery should be made according to the disciplinary inquiry carried out with regard to rates fraud, disciplinary inquiry should be conducted immediately and recovery should be made accordingly with regard to salary fraud. .
- Although the disciplinary order has been given to recover a sum of Rs. 6,322,302 from the parties who had been found guilty according to the disciplinary inquiry conducted with regard to rates fraud, .but, they have submitted appeals. A formal disciplinary inquiry has not been conducted with regard to the salary fraud.
- Action is being taken to recover money relating to rates from the accused parties. A formal disciplinary inquiry has not been conducted with regard to the salary fraud.
- (i) Necessary course of action had not been taken to recover financial loss amounting to Rs.1,816,557 occurred to the council fund, due to payment of salaries and allowances for the period from the date of transfer to June 2018, to an employee left the council on transfer to another establishment, , during the year 2013.
- Immediate action should be taken to recover this money.
- Zonal Director of Education had been informed to carryout preliminary investigation in this connection and to recover the money.
- Not recovered.

**11. Polonnaruwa Municipal Council**

- (a) While action had not been taken to recover lump sum money in arrears amounting to Rs. 2,120,821 of 18 trade stalls in Kaduruwela Bus Stand and 19 stalls at Polonnaruwa Hospital Junction since a time period ranging from 01 to 21 years, Nonrefundable key money amounting to Rs. 18,088,750 of 40 stalls in the Polonnaruwa Market Complex and monthly rent value amounting to Rs. 7,756,758 of 46 stalls therein had not been recovered.
- Action should be taken as per agreements, for the recovery of arrears
- It is proposed to take legal action in due course against stall holders of the Kaduruwela bus stand and to take action on the basis of recommendations to be given by the valuation department with regard to trade stalls at Hospital Junction. Legal action will be taken as per agreements after completing lapses, with regard to the trade stalls in Polonnaruwa Public Market Complex.
- While rent is being recovered from some trade stalls after sealing, reminders have been sent to defaulting trade stalls

**12. Ratnapura Municipal Council.**

- (a) While the council had not taken action either to recover
- Relevant problem should be settled and
- Action will be taken to submit information properly, after getting
- Matter was discussed with the Urban

rest house rent due from the Urban Development Authority for the period from the year 2009 to August 2013 totaling Rs. 4,366,496 or to get confirmed whether it had been setoff for the loan payable, follow up action had not been taken with regard to a further sum of Rs. 156,121 payable for the period from August 2013 to September 2017.

- (b) Action had not been taken for effective utilization of the Urban Garden constructed adjoining Kaluganga having spent a sum of Rs. 2,822,902 in four occasions from the year 2007 to 2010 by the council on provisions made available under the Special attention should be given for effective utilization of funds. Although this garden was prepared as a children's park, garden had been washed off due to floods occurred in number of occasions. Although it was intended to implement various plans in order to convert this garden as an effective place. It was not possible to implement those. However, plans have been prepared at present to convert it to a vehicles park
- Up to now, it had not been utilized for an effective activity.

Ministry of Provincial Roads Development, Rural Infrastructure Facilities and Tourism in the Sabaragamuwa Province as it had been destroyed with wild plants.

which is an essential requirement to Ratnapura City.

- (c) A sum of Rs.2,380,000 due from Sabaragamuwa Bus Company as entrance fees to main bus stand situated in the Ratnapura City for the period from the year 2009 to the year 2020 had not been recovered up to the end of the year.2020
- Action should be taken to recover revenue due to the council without delay
- According to a council decision.it has been decided to recover at the rate of Rs. 30,000 per month and to obtain the arrears through the Ministry of Transport.
- Old arrears of Rs.2,380,000 had not been recovered.
- (d) Quotations had been called for from 05 institutions nominated, having identified through internet by the chairman of technical evaluation
- When purchasing goods, suitable tenderer should be selected through a rational competition
- Although quotations were called in two occasions, only one institution submitted bids and no loss occurred due to the purchase made.
- Action is being taken to obtain a quality report from the Ceylon Electricity Board with

committee, for according to fixing a lightning arrester in the Procurement Guidelines. Kanadola Compose Yard belong to the Council. It was revealed in audit that except the institution to which procurement entrusted for a sum of Rs. 990,525 with VAT, balance institutions were not suppliers of lightning arresters. Accordingly, quotations had been called for from 04 institutions not dealing with the supply of lightning arresters, with the intention of awarding the tender to the selected institution.

regard to this lightning arrester.

### 13. Colombo Municipal Council

- |     |   |   |  |   |
|-----|---|---|--|---|
| (a) | Action had not been taken even as at 31 December 2020, in terms of Section 259 of the | Course of action should be taken immediately. | Owners are making requests to allow payments of arrears with regard to properties to be auctioned, but not vested in the council and therefore | A sum of Rs. 4,797,916 has been recovered out of arrears, |
|-----|---|---|--|---|

Municipals  
 Councils Ordinance  
 to write certificates  
 of sales as it had  
 not been possible to  
 trace the owners,  
 title deeds and  
 plans claiming last  
 ownership with  
 regard to 193  
 properties  
 identified as liable  
 for payment of  
 arrears of rates  
 amounting to  
 Rs.214,628,001 for  
 the period from the  
 year 2003 to the  
 year 2016.

action had been taken to after .physical  
 recover arrears from these inspection of  
 properties on the basis of the 60 properties.  
 approval of the Municipal  
 Commissioner.

(b) The machine for  
 measuring structure  
 of the trees,  
 purchased during  
 the year 2015 by the  
 Land and  
 Environment  
 Development  
 Section having  
 spent a sum of Rs.  
 7.4 million for  
 measuring and  
 inspection of the

Taking  
 necessary action  
 for using the  
 machine  
 immediately.

Taking action for Possible  
 recruitment of an officer course of  
 competent to analyze data action for data  
 provided through the analyzes is  
 machine and conducting being  
 discussions with the supplier examined.  
 of the machine for data  
 analyzes.

condition of the trunk and roots of trees old more than 100 years in the city, had been kept in the office of the Viharamahadevi Park without being used.as at 31 December 2020 even after the lapse of 6 years.

- (c) While 200 cubicals had been purchased in September 2016 for a sum of Rs. 5,865,000 at the rate of Rs. 29,325 per one cubical, for Malwatta Road Pavement Trade Complex those had been kept unsafe, without being used for a fruitful work and opened to natural disaster even as at 31 December 2020.
- Utilization for a fruitful work.
- Although it was not possible to use for a fruitful work due to refusal in obtaining the cubicles by the traders, it is proposed to utilize those for the requirements of other public markets.
- Had not been utilized for a fruitful work.
- (d) Action had not been taken in terms of Section 72 in
- Action should be taken to recover.
- Penalty rent relevant to Mrs. J.M.B. Jayawardhane and Mr. V.K.A. Anura was
- Recoveries had not been commenced.

Chapter XIX of the Establishments Code to recover penalty rent from 23 transferred or retired officers and employees as they were in occupation of official quarters even as at 31 December 2020. Although the penalty rent to be recovered from two Municipal Commissioners as at June 2020 had been calculated as Rs. 27,100,751, it had not been possible to make recoveries even as at 31 December 2020.

calculated and referred to their serving stations for recovery.

- (e) At the inspection of the premises and (B+G+6) of the Building consists of 7 floors in extent of 2143.75 square meters, at No. 32 Mudalige Avenue, Colombo 01, Taking immediate legal action with regard to unauthorized constructions. Owner was informed to rectify the usage according to approved plan and to remove the construction carried out contrary to approved plan. Legal action had not been taken.

constructed under Building Plan No. ME/PBC/BA/01/18, an unauthorized building consist with 5 floors in extent of 533.46 square meters had been constructed. covering the empty space shown in the approval paln. Although the ground floor should be constructed at the ground level according to the approved plan .It had been constructed 380 millimetres above the ground level. Although an Arcade Line of 12 feet had been marked from the end of the Mudalige Avenue as per approved plan, an unauthorized construction in extent of 40.61 square meters had

been made covering that extent. Although facilities should be provided for parking 4 vehicles in the basement as per approved plan, vehicle parking part was being used as a store.

- (f) Rent income in arrears due in connection with fixing parking meters from a private institution as at 31 December 2020 amounted to Rs. 101,161,649. Action should be taken to recover soon Legal action is in progress Legal action is in progress

#### 14. Moratuwa Municipal Council

- (a) While a surcharge liability amounting to Rs. 1,549,200 had arisen due to the delay in sending reports and remitting contributions to the Employees Trust Fund from the year 2003 to the year Financial Regulation 156 should be complied with Inquiries had been conducted by the internal audit and reports have been submitted to the Municipal Commissioner. Future action will be taken based on the results of the investigation report.

2015, a sum of Rs. 1,088,565 paid during the period from the year 2015 to the year 2019 and the balance amount had not been recovered from the officers responsible for that.

- (b) According to the court order given on 20 July 2018 with regard to the case filed against the council, in connection with plan approval No. 1329, a sum of Rs. 11,602,308 had been paid to the plaintiff as compensation and case fees by the council.
- Financial Regulation 156 should be complied with
- Action is being taken to conduct a preliminary investigation by the Department of Local Government.
- Future action will be taken on the basis of the results of the investigation report.

## 15. Negombo Municipal Council

- (a) Agreement had been entered into to construct the storied library
- Action should be taken to black list the contractor and to
- It has been informed that the amount relevant to the cancelled bond has been received to the council
- A new contractor was selected after calling for

building to be recover the loss through the cheque dated 30 tenders for the  
completed within occurred. September 2020 valued at balance work  
one year for a sum Rs. 4,700,000 as the  
of Rs. 157,101,803 performance  
and work had been of the original  
commenced on 16 contractor was  
March 2016. Out of at a  
the loan of Rs. insubstantial  
168,000,000 level,  
approved, only a  
sum of Rs.  
88,155,805 had  
been obtained as at  
31 December 2019,  
the date ended the  
concessionary  
period of 02 years  
granted for  
repayment of loan  
installments. While  
the period had been  
extended without  
recovering  
demurrage from  
time to time on the  
requests of the  
contractor, contrary  
to the agreement  
sub contracts had  
been given having  
discussed with the  
contracting  
company and

consulting company. While they too had stopped construction work half way, it had not been possible to take legal action in the absence of an agreement. While action had been taken to terminate the agreement on 11 March 2020, action had not been taken to recover a sum of Rs. 2,427,020 due from the contracting company as at 31 December 2019. This project had not been completed even as at June 2020.

- (b) While agreement had been entered into on 21 December 2020 to construct Resources Recycling Centre in Meepura Land for a contractual value of Rs. 9,901,223, the contractor had started preliminary works While this Council approval should be obtained for the estimate before commencement of construction. Place had to be changed due to protest of the citizens. Wish to inform that the estimate for the original project was approved by the council and that there

construction proposed to be made in the Meepura Land had been stopped and land situated in Kohchikade Old Slaughter House had been selected for this and the contractor referred to above had been assigned the construction.

However, agreement had not been entered into with the contractor again for the construction in the new land. Although approval had been given for the new construction at the general council meeting held on 01 April 2021, estimate had not been submitted for approval. At the field inspection carried out on 05 April 2021, it was observed that work had been commenced before approval and foundation and columns of the building had been constructed by that date. While it had been mentioned on 05 February 2021 that it was not possible to make this construction in Meepura Land, out of provisions to be received in 3 stages,

is a council proposal to perform this project in the Porakewatta land.

a sum of Rs. 3,679,000 being stage one provision had been received as at 02 November 2020. A sum of Rs. 2,633,300 being second stage provision had been obtained on 31 March 2021, stating that foundation work has been completed and that contract work is in progress without notifying that site has been changed.

- (c) While the lease connected with collection of parking fees of the Eththugala Beach Garden Vehicle Park for the first 4 years from the year 2003 had been awarded after calling tenders, it had been increased as 5 percent, 10 percent and 20 percent .for the next 10 years. Tenders had been called for again for the year 2017. While the lease amount for the year 2018 had been increased by 20 percent of the 2017 price, lease amount for 2019 had been increased by 10 percent of the 2018 price as Rs. 2,244,000. This had been awarded to Provisions in Government Procurement Guidelines Code should be complied with. Wish to inform that this has been given as per council's decision. Scheduled to be tendered.

one individual from the beginning up to now. The council had decided on 05 October 2019 to award this to the same lessee for the year 2020 for the previous year lease amount, in spite of instructions given for taking up steps to regularize leasing out council properties, vide letter No LGD/6/05/MOS/2019 dated 24 July 2019 of the Commissioner of Local Government. Provisions in Procurement Guidelines had not been followed for this. In spite of Municipal Commissioners reporting on 20 September 2019, before receiving the council decision on 29 August 2019 that another Individual had consented to take the lease of this vehicles park for Rs. 3 million for the year 2020, it had been awarded to the previous lessee for a lesser amount of Rs. 2,244,00 for the year 2020. Due to this, a loss amounting to Rs. 756,000 had occurred to the council fund.

## 16. Gampaha Municipal Council

- (a) In terms clause 25 in chapter 1 of gazette notification No. 2155/6 dated 24 December 2019, any reward, donation awarded to the mayor, vice mayor, or any other member, municipal commissioner, any other officer, treating as a representative or an officer of the local body that should be considered as an award to municipal council and it should be credited to the municipal council fund in terms of section 185 of the Municipal Councils Ordinance. However, a bank account under the name Mayor's Fund had been maintained in a state bank in Gampaha out of donations received to the mayor and a total sum of Rs. 1,028,743 received in 09 instances during 06 months period from July to December 2020 had been credited to the account. There were payments totaling Rs. 1,016,425 in 29 instances. Receipts, bills, payment vouchers or any
- Section 185 of the Municipal Councils Ordinance should be complied with.
- Mayor's Fund could be introduced as a method of obtaining funds on the basis of appreciation of social works and confidence of the mayor, otherwise won't be made available to the council fund. Wish to inform that all revenue received and all expenditure incurred were dealt with according to provisions in section 185 and Section 188 of the Municipal Councils Ordinance. It has to be pointed out that all expenses of the mayor's fund have been made only through cheques. It was not possible to obtain the documents such as receipts, bills, payment vouchers etc. relevant to this as the Mayor's office was closed due to COIVD epidemic condition. An extension of time is requested for this.
- Mayor's Fund is a fund maintained by every municipal council. Accordingly, Mayor's Fund is being maintained in the Gampaha Municipal Council as well. Mayor's Fund could be introduced as a method of obtaining funds on the basis of appreciation of social works and confidence of the mayor, otherwise won't be made available to the council fund. This fund is utilized for

acceptable document relevant to these transactions were not made available.

granting donations to destitute persons, providing donations to those who don't have latrine and to those having decrepit latrines, distribution of dry ration and food parcels during emergency situations such as flood disaster, epidemic situations such as corona.

- (b) While arrears of Entertainment Tax Revenue amounting to Rs. 5,067,942 was due to be recovered from 5 cinema halls as at 31 December 2020, out of that, an arrears sum of Rs. 4,793,162 was due to be recovered from Public Hall cinema
- Action should be taken to recover taxes in arrears.
- The entity did not comply with the judgment given with regard to Public Hall Cinema and therefore the file has been referred to the municipal lawyer to update the case.
- This tax balance in arrears has arisen due to nonpayment of tax by Public Hall cinema since the year 2010. While a case

has been filed against defaulting payment of tax, it has been updated further up to the year 2021, and has been referred to the municipal lawyer.

- (c) While a sum of Rs. 29,127,000 had been paid during the year 2020 to a land lord for dumping garbage, to a private land, according to physical inspection of the dumping ground carried out on 07 September 2020, it was observed that garbage had been piled in a hazardous manner opened to the environment, and harmful to the health. According to the order given to the health inspector of the council by the Gampaha High Court, it has to be very cautious about the health safety of the garbage dumping ground and should report in that connection. It
- While persons should be selected having followed proper tender procedure for garbage disposal work, payments and garbage disposal work should be done properly. Court orders should be implemented as well.
- While disposal of garbage of the Gampaha Municipal Council during the year 2019 was done in the Kerawalapitiya garbage yard, as per instructions of the Hon Governor, a council decision was taken according to the instructions given in the letter No. LGD//3/02/4/27 dated 02/08/2019 of the Commissioner of Local Government. A compost production machine has been installed at this place. Instructions were given to operate it. Since the relevant license had not been obtained, it
- While maintenance work of the Kerawalapitiya garbage yard had been carried out during this period, as per instructions of the Hon Governor; a council decision was taken according to the instructions given in the letter No.

was observed that the council had not complied with the court order.

was informed to obtain the LGD//3/02/4/2 license within 03 months 7 dated and to 02/08/2019 of submit a copy of that. the Commissioner of Local Government and disposal of garbage is being done to a private land. While a document similar to an invoice was submitted by the private owner he was informed to submit a proper invoice and, action has been taken accordingly.

**17. Dehiwala Mountlavinia Municipal Council**

- (a) Contrary to Section 185(2) An additional effort is taken A proper provisions in (e) of the by this staff to earn income approval had Section 185(2)(e) of the Municipal Councils the sum of Rs. 200 not been Ordinance, out of Councils Ordinance recovered according to sum of Rs. Revenue earned by Ordinance should be council sanction No. 1,457,923 and providing public service complied with. 2004/11/29/08 (09) 15 a sum of Rs. Miscellaneous Revenue, Rates and

Plans Sections during the period from January to June 2019, a sum of Rs. 1,181,197 had been divided among 27 officers without proper approval.

during the year 2005 is 771,197 had distributed among the all been staff involved in work in distributed the relevant file. respectively during the years 2020 and 2021.

- (b) Although a sum of Rs. 4,500,000 had been paid to the Divisional Secretary in February 2018 as a deposit for acquisition of land from Wanaratana Road to Fonseka Road, action had not been to acquire lands even up to the end of the year 2019. When the cost of construction of this road providing access to only two families is compared with the return, benefit was at a minimum level.
- Funds should be applied on more fruitful works.
- This road has been developed with the approval of the council.
- Any work had not been done for acquisition of lands even up to the end of the year 2021.

- (c) Although an expenditure totaling Rs. 110,000,000 had been shown in the financial statements for the year 2018, as Rs 50,000,000 and Rs. 60,000,000 respectively for construction of indoor stadium in the Fresher Playground, and construction of
- Projects should be performed rapidly.
- Action will be taken to finalize work rapidly and provide to the general public.
- The financial progress of this project is 22% while the physical progress is 12%.

indoor stadium in the Mountlavinia Public Playground, works of these two constructions had not been completed even as at 31 December 2020.

- (d) Land named Galkissawatta in extent of 01 ruda 4.19 perch was being occupied by an outside party without authority. Action should be taken to get back from the unauthorized parties. This will be presented before the committee to look into this and relevant information will be submitted in due course. Any course of action had not been taken for this.
- (e) While the land in extent of 01 Rude 4.10 Perch in Ground Plan No. 4/89 in Mountlavinia Hotel Road had been given on lease to the Mountlavinia Hotel to be used as a vehicle park, rent in arrears of this property had been Rs. 4,636,516 as at 31 December 2020 due to lapses in the the agreement in leasing out this property. Due to this, it had not been possible to recover that rent money in arrears from the lessee. Action should be taken to recover the rent in arrears. The case in this connection is being heard in Mountlavinia Magistrate Court. While the lease period existed between the hotel and the municipal council ended on 01.06.2021, it is scheduled to be used for other development work without leasing out again. Rent in arrears has not been recovered.

## 18. Kaduwela Municipal Council

- (a) While the lift fixed in Kaduwela Bus Stand during the year 2013 valued at Maximum benefits should be gained from Requests will be made from another agency or number of agencies to inspect in The entire Kaduwela Town was

Rs. 3,900,000 was in defunct condition during a number of years, action had not been taken to repair it and use.

resources. order to operate again.

under flood due to heavy rain fall took place during the year 2016. Due to that, electric lift became defunct. Although it was attempted to get in touch with the supplier in order to repair, the lift, it was not possible to do so as the entity had been closed down.

- (b) Out of 6 machineries purchased having incurred an expenditure amounting to Rs. 66,612,046 on 20 October 2017 for carpeting roads in area of authority of the council, 4 machineries valued at Rs. 53,351,000 had been kept idle at Athurugiriya Sub Office premises without being used for any work
- Maximum benefits should be gained from plant and machinery.
- Course of action had not been taken.
- Relevant plant and machinery were purchased with the intention of establishing a carpet laying unit. However, it was not possible to establish this

unit due to difficulty in engaging skilled labor on the basis of government approved salary scales. At the general council meeting held on 03.03.2020, it was decided to sell those machines. Although tenders were called for accordingly, there was no response from any applicant.

**19. Sri Jayewardenepura Kotte Municipal Council**

- (a) Agreement had Action should be Feasibility to finalize this Feasibility to  
 been entered into on taken to recover project through that finalize this  
 15 February 2016 full value contactor is being studied. project  
 with a private sustained by the through that  
 contractor for the council without contactor is  
 construction of Jaya delay. being studied.  
 Raja City Work had  
 Miscellaneous been  
 Development performed

Project for contractual value of Rs.619,276,616.

While a total sum of Rs. 255,707,477 including Rs.

2,638,191as

consultancy fee for that had been spent up to the year 2018,

Project work had been stopped on 17

May 2017 on the grounds of a

structural cracking fault of the building

and the contractor had abandoned the

work site on 10 September 2018

only up to the ground level

at expenditure incurred

amounting to Rs.

255,707,477.

- (b) An agreement had been entered into on 01 June 2016 to construct the Moragasmulla Four storied Housing Complex consisting 28 houses at an estimated value amounting to Rs. 69,704,581 and work had to be completed and handed over within 6 months. Although a total sum of Rs. 70,524,541 as Rs. 62,986,117 and Rs. 7,538,424 for extra works had been
- Operating Action has been taken to Work not activities of the resume the construction finalized. council should work of that building in take place order to complete the according a project. suitable procedure.

paid to the contractor, contractor had abandoned the work without completing. While a further cost of raw material amounting Rs. 3,630,781 and Rs. 155,726 for food, water and electrify had been spent during the year 2019 for constructing 18 housing units using council direct labor, deviating from contractors, project had been abandoned without completing.

- (c) An agreement had been entered into with a consultancy firm on 26 January 2015 under a fee of Rs. 36,010,657 and sum of Rs. 22,220,340 had been paid for architectural work relevant to proposed new Building to be constructed in land belongs to the council situated near Welikada Police. While agreement had been entered into with the consultancy firm to make this construction in the existing council premises on a council decision dated 07 May 2015 and a sum of Rs.
- While the location should be identified specifically before commencement of a large scale work, expenditure to be incurred for that should be prepared. Procurement Guidelines should be complied with.
- the Consultancy firm has agreed to implement the arbitrator's Judgment connected with the construction of council building adjacent to the Welikada Police. However, payments have not been made as per arbitrator's judgment.
- Case has been filed in order to legalize arbitrator's Judgment for the consultancy firm.

4,000,000 had been paid. However, construction works had not been commenced even as at the date 31 December 2018. While an arbitration case had been filed by the consultancy firm against the council for recovery of Rs. 15,138,788 from the council, a sum of Rs. 259,000 had been spent as case fee for that. Therefore, the sum of Rs. 26,479,340 spent for this contract had become an uneconomic and fruitless expenditure.

- |     |   |  |  |   |
|-----|---|--|--|---|
| (d) | While the cab vehicle valued at Rs. 7,000,000 belonged to the council had been handed over on 15 August 2017 to use as official vehicle of the secretary to the Western Province Governor, it had caught fire and had been destroyed. While the present market value and additional expenditure incurred by the Council amounted to Rs. 7,046,180, according to insurance claim loss amounted to Rs | Legal action should be taken without delay in order to recover the loss. | Action has been taken to re-examine with regard to objections raised on the inquiry report for the recovery of balance amount. | Action has been taken to re-examine with regard to objections raised on the inquiry report for the recovery of Rs. 1,546,180. |
|-----|---|--|--|---|

.1,546,180, legal steps had not been taken to recover that amount.

**20. Kurunegala Municipal Council.**

- (a) The mayor had Action should be Leasing has been done on Even at obtained direct taken on the the basis of general council present, approval from the basis of approval of the relevant leasing out governor to competitive register of names, obtained stalls has been construct 18 trade quotations by the Hon Mayor done having stalls in the empty having published considering obtained spots in the the relevant the requests made by the inappropriate Kurunegala Bus advertisements private investors over a long approval. Stand, at an as per provisions period. estimated value in the amounting to Rs Procurement 14,232,000 and had Guidelines Code. given those to the applicants who had made requests to obtain space for trade stalls, deviating from the tender procedure
- (b) Although a sum of Payments made While it is not practical to While testing Rs. 612,779 had for work not spread river sand in equal works are in been paid to spread performed quantity on every place, progress in river sand on P.V.C. should be according to field condition this Pipes under work recovered back. over and under spreading connection, item No. 02 the take place. River sands have retention Iluppugedera Road Water Pipes Placing Work, at the physical inspection it was observed that there were spots where river sands not been applied on P.V.C. money has not Pipes according to been paid. requirements.

spread and spots where thickness of river sand had been about one inch. Accordingly, a sum of Rs. 510,649 had been overpaid for work not done.

- (c) After completion of first contract of Iuppugedera Road Water Pipes Placing Work, there had been sinking in the road. Due to that, a fresh estimate for Rs. 4,000,000 had been prepared to dig the drains laid with water pipes, remove earth and close for carpeting the road. In spite of awareness of the council that this road is to be carpeted, two estimates had been prepared and payments had been made, for the same work item for spreading water pipes. Due to that, expenditure incurred amounting to Rs. 1,208,305 on 3 items of work in the first estimate had been an expenditure incurred due to negligence of the council
- Action should be taken to spend public funds with due regard to economy, efficiency and effectiveness.
- In addition to the width of this road scheduled to be carpeted in stage one, P.V.C. Pipes were laid on the shoulders. Later, necessary works were planned to carpet from drain edge to edge. In that, it became necessary to thicken the shoulders again properly and therefore thickening has been done having removed earth.
- Testing works are in progress according to audit observations.
- (d) A sum of Rs. 2,000,000 at a monthly rate of Rs. 250,000 from February to July,
- Action should be taken to pay an approved official
- Approval has been given, by Hon Governor Rajah Kollure vide letter No.
- A sum of Rs. 750,000 has been

and November to December during the year 2019 and, a sum of Rs. 500,000 during the year 2020 at a monthly rate of Rs. 250,000 from January to February 2020 had been paid as official vehicle allowance for mayor's vehicle without proper approval. Further, 5,474 liters of fuel valued at Rs. 726,596 from March to December 2019 and 1,125 liters of fuel valued at Rs. 148,500 for January and February 2020 had been supplied from the council

vehicle allowance to Hon Mayor and to recover overpaid amounts.

NWP/GOV/AO/07/34/01 dated 02.10.2020 to pay a monthly sum of Rs. 50,000 as official vehicle allowance of the Hon Mayor. Accordingly, payment of Rs. 250,000 has been suspended and an official vehicle allowance of Rs. 50,000 is being paid at present. Action has been taken to set off the overpaid amount from that amount.

recovered by now. In the event of expiry of period holding the post before finalizing a payment, a written consent has been expressed to pay the balance as at that date.

- (e) Although it has been advised to establish a Municipal Fund by every municipal council in terms of Section 185(1) of the Municipal Councils Ordinance, no provision has been made in the ordinance for a Mayor's Fund. However a sum of Rs. 2,279,800 had
- Although changes in the budget has been stated in Section 215 of the Municipal Councils Ordinance, there is no mention regarding a Mayor's Fund in the ordinance, therefore various funds should not be established.
- While funds are allocated under Expenditure Head 11472 in the annual budget through the municipal council fund, grants are provided under that Expenditure Head for welfare activities in the area of authority with the approval of the council.
- Expenditure Head 11472 has been named as Community Welfare since the year 2022.

been provided for that in the budget, and a sum of R 2,008,852 had been spent

- (f) Balance of Water Charges in Arrears as at the end of the year 2020 amounted to Rs. 64,549,182. Out that there were arrears of Rs. 28,076,433 relevant to 52 consumers with arrears exceeding Rs. 75,000. No course of action had been taken to recover these amounts.
- While a proper system should be followed for recovering the water charges, action should be taken to recover annual billings timely.
- Ten consumers having arrears exceeding Rs. 75,000 have paid more than half the arrears. Water supply to three consumers has been referred to be disconnected. Action has been taken to take legal steps having disconnected the water supply of 21 water consumers.. Arrears amounts of balance consumers are being recovered.
- It was observed that water charges are not properly paid even at present.
- (g) While 60 tab computers had been purchased for a sum of Rs. 2,046,000 for field officers of the council to carry out duties using new software, those had not been utilized for useful work having uploaded required software. It was not established in audit the need to provide tab computers to staff involved in reading water meters, issue of rates bills, felling dangerous trees, removing unauthorized trade and water supply maintenance work, in the field.
- Action should be taken to make purchases according to necessity.
- It has to be mentioned that use of new software in serving would facilitates fulfilling service to general public efficiently and effectively. Similarly direct contact with superior officers, getting required instructions avoiding problematical conditions and continuous operation of duty network without disruption are the needs to implement through software.
- Although these tab machines should be provided for essential duties, those had been provided without necessity.

- (h) The senior management of the Kurunegala Municipal Council had taken action to demolish the Buwaneka Hotel Building which has an archeological value and a public property, which could be used as a source of revenue to the council. While prior approval and recommendations of the Archeological Department had not been obtained, action had been taken to demolish the relevant building on 14 July 2020. A sum of Rs. 7,800,000 had been paid as case fees out of council fund on behalf of officers named as responsible and served with warrants.
- When demolishing buildings with archeological value approval of the relevant institutions should be obtained and general approval of the council should be obtained.
- In taking decisions and implementing functions relevant to the old office building of the Deputy Government Agent belongs to the Council, council has acted in good faith in terms of authority vested under the provisions in Municipal Councils Ordinance. Wish to inform that relevant case fees were paid lawfully, in terms of provisions in the Municipal Councils Ordinance.
- Cases are being heard in Hon. Supreme Court, Hon. Appeal Court and Hon. Magistrate Court in this connection.
- (i) Although the council does not have power to sell or otherwise alienate any such property without having previously consent in writing of the Hon
- Action should be taken for proper disposal of lands in terms of Section 361 (ii) of the Municipal
- Action is being taken to regularize that land properly to present occupants, as it has been sanctioned vide council sanction GC/06/53/2020/12/10 by the council. As approval exists for disposal without Hon Governor's approval in
- While action had not been taken for proper disposal of lands

President to such sale or alienations in terms of Section 36(I) (III) of the Municipal Councils Ordinance, the Weharawatta Land belongs to the council had been dispose of having obtained general council sanction to vest.

councils Ordinance; to protect lands belong to the municipal council and to follow tender procedure. in leasing out lands.

terms of Section 40 I f II of the Municipal Councils Ordinance and on the basis of council approval, action is being taken regularize that land properly, in order to handover the right to use.

according to rules and regulations, even at present lands are being disposed of in this manner.

- (j) Action had been taken to lease out 03 lands on the basis of council approval and through an inappropriate procedure by placing signature of the governor on a letter addressed to the governor directly by the mayor without complying with Section 27 of the Goenment Lands Ordinance and Section 36 (1) of the Municipal Councils Ordinance. In terms of paragraph 7 of Secretary to the President's Circular No. S.E.I/A/4/34 dated 12/7/1995 under the heading Guidelines for Vesting Government Lands in connection with vesting government lands, factual rent
- In leasing out lands belong to the municipal council, action should be taken to comply with provisions in the Municipal Councils Ordinance, Government Land Ordinance and relevant circular instructions and should enter into a proper agreement having obtained the government assessment.
- Three lands were lease out on the basis of the council sanction until written approval of the Hon. President is obtained in terms of provisions in the Municipal Councils ordinance. It is scheduled to send for Hon. President's approval after receiving the transfer orders.
- Government lands and council lands are being disposed of without compliance with rules and regulations.

should be determined by the Chief Valuer on the basis of prevailing market value and recover the lease rent accordingly. However, above leasing had been made on the basis of an assessment of the revenue inspector.

- (k) A payment of Rs. 4,481,000 had been made for the purchase of sport equipment for pre-schools managed by the Municipal Council. While a report of the technical committee was not available in the file, accordingly, it was observed that, this equipment had been obtained without technical evaluation. In inquiries made with regard to this establishment, it was revealed that, this purchase had been made from establishment not dealing with sport equipment. Therefore, a misappropriation has been committed and a proper procurement favorable to the government had not been made.
- Council funds should be spent in compliance with provisions in procurement Guidelines.
- It has to be mentioned that Those were purchased on the recommendations of the North Western Machinery Authority possessing expertise knowledge with regard to relevant equipment. Relevant officers were instructed to explore possibility of making purchases from registered suppliers possessing the right to supply relevant goods, when getting supplies again.
- Correction of lapses in the procurement process had not been done.

- (1) An estimate of Rs. 687,068,527 had been prepared and a contract for Rs. 948,518,334 had been awarded for the construction of central market. The procurements relevant to this construction had been made by the ministry procurement committee in terms of clause 2.14.1 in Procurement Guidelines Code. Lapses were observed in the whole procurement process with regard to preparation of bidding registers, conducting procurement committee meetings, publication of bidding notices, obtaining bid bonds including evaluation of bids, appointment of procurement and evaluation committees. Contract had been awarded to the contractor who quoted a price exceeding the engineering estimate in a sum of Rs. 281,934,447 or 41 percent.
- While the estimate should be prepared according to BSR (Approved Buildings), constructions should be done in conformity with the standard, having awarded the tenders in terms of Procurement Guidelines Code under the supervision of engineering and technical officers.
- Tender has been awarded as per council sanction GC-06(04)-2020.02.13 and in compliance with Procurement Guideline Code, having obtained necessary technical instructions through a Board of Experts of North West Engineering Department and having rearranged lapses in preliminaries mentioned in original estimate and rearranged the Central A/C System again and after revising the estimate.
- While large scale constructions are done at present as well, an engineer of the relevant grade is not available in the council to approve these constructions. Decisions are taken by the procurement committee consisting municipal engineer and council members. Accordingly, action had not been taken to formalize the procurement process.

- (m) The method of construction had been selected for the Hon Mayor's official residence after planning, in spite of obtainability of civil engineer and all other resources in the municipal council and ability to obtain other technical assistance. Due to this, the chance of constructing the official residence at a minimum cost and terms more favorable terms to the municipal council had been lost. Although an advertisement was published as per clause 6.2.2 in Government Procurement Guidelines Code, a limitation had taken place due to failure in providing relevant time limit and amendment of contractors' qualifications. Although there was no necessity to fix an electrical lift as this project consist of only the ground floor and the first floor, action had been taken to fix an electrical lift having spent a sum of Rs. 4,129,600.
- In carrying out construction works of the municipal council, most favorable method to the municipal council should be selected. Action should be taken in terms of the instructions given in the Procurement Guidelines Code. In carrying out construction works, quality of construction materials and completion of work according to standard should be tested.
- Hon Mayor is the principal citizen in the city. While VIP personal including Hon President and Hon Prime Minister pay visits to this house, and they stay in the house in instances of their field observations. In instances of visits, by general public, it would provide direct access for disable persons to meet the Mayor. Therefore action has been taken to fix an electrical lift
- Although the public representatives committed to public service should carry out supplies, services and constructions at a minimum expenditure, such situation was not observed.

- (n) Two quotations as Rs. 185,486,135 and Rs. 300,655,750 had been received according to quotations called for, for the construction contract of Maligapitiya Auditorium estimated for an engineering estimate of Rs. 165,207,414. Those quotations do not exceed Rs. 500 million and therefore according to Procurement Guideline 7.9.2 detailed bid evaluation principles should be followed. However, without following that and in spite of 18% increase over and above the engineering estimate, contract had been awarded.
- Selection of procurement methods as per instructions given in Procurement Guidelines, evaluation of bids on the basis of price variations should be considered in awarding contracts.
- Instructions have been given to act according to Procurement Guidelines Code and Municipal Councils Ordinance.
- It is observed that procurement and construction activities are not done within the relevant rules and regulations.

## 21. Kalmunai Municipal Council

- (a) Property Tax amounting to Rs. 91.6 million outstanding for more than one year due from 47,900 properties and lands belong to divisions in area of authority of the council had not been recovered in terms of Section 252(1)(b) of the Municipal Councils Ordinance, even up
- Action should be taken to recover amounts in arrears within the stipulated time.
- Action has been taken to recover revenue remaining unrecovered at present.
- Amounts in arrears had not been recovered.

to the end of the year 2020.

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| (b) | Action had not been taken to recover or to write-off public market lease rent amounting to Rs. 12,314,393, meat stalls lease rent amounting to Rs. 7,661,912 and stalls rent amounting to Rs. 13,657,443 outstanding since the year 1987 and were being presented continuously in the financial statements | Action should be taken to recover revenue.         | More attention will be taken in due course. | Action had not been taken to recover revenue.         |
| (c) | Action had not been taken to recover or to write-off three wheel vehicles and vehicle protection tax in arrears amounting to Rs. 3,394,613, outstanding since the year 1996 and was being presented continuously in the financial statements.  | Action should be taken to recover revenue          | More attention will be taken in due course. | Action had not been taken to recover revenue          |
| (d) | Action had not been taken to recover arrears rent of stalls for the year 2020 in government bus stand amounting to Rs. 4,219,400, arrears rent of stalls in Kalmunai market amounting to Rs.3,907,615, arrears rent of stalls of building complex in United Square amounting Rs.                           | Action should be taken to recover revenue rapidly. | Action is being taken against the owners.   | Action had not been taken to recover rent in arrears. |

1,735,750 arrears rent of banana stalls amounting to Rs. 613,995 and arrears rent of stalls in private bus stand amounting to Rs. 450,000.

- (e) Although the private stalls in close proximity to public market belongs to the municipal council area of authority are given for minimum rate of monthly rent ranging from Rs. 10,000 to Rs. 20,000, these stalls belong to the municipal council had been given on monthly rent ranging from Rs. 500 to Rs. 4,000, without calling for fresh quotations since the year 1980. Due to this, a loss of Rs. 60 million taking place approximately.
- Action should be taken to raise the rent income.
- Action is being taken at present.
- During the year 2022 also, stalls had been given on lease on the basis of stalls rent prevailed during the year 1980 without calling for quotations prevailing at present relevant to 435 stalls belong to the council.
- (f) A sum of Rs. 26,780,072 and a sum of Rs. 8,267,830 had been spent respectively for construction of children's beach gardens in Kalmunai and Sainthamaruthu areas. However; those are in idle condition without being used by the
- Action should be taken to maintain children's gardens.
- Maintenance work is being done having appointed a watcher to the relevant garden.
- Action had not been taken to maintain the Children's garden.

council, while equipment installed there remained unsecured.

**22. Akkaraipaththu Municipal Council.**

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| (a) | Council had not taken action to recover public market stalls rent in arrear amounting to Rs. 7,699, 381 as at 31 December 2020.  | Steps should be taken to recover revenue rapidly.                 | Steps should be taken to recover amounts in arrears rapidly. | Action had not been taken to recover rent income.   |
| (b) | Construction work of the building for fire extinguish unit commenced during the year 2014 at an expenditure amounting to Rs. 19,882,270 was in unfinished condition and remained abandoned over a period 07 years. | Action should be taken to complete the relevant project quickly.  | Additional provisions have been requested to complete this.  | Financial and physical progress of the construction of the building was at a low value of 40 and 30 percent respectively even up to January 2022. |
| (c) | Children's electric train established in the children's garden under the Nelship Program had been defunct since the year 2018. Due to that funds spent amounting to Rs. 2.3 million had been fruitless.            | Action should be taken to operate children's electric train soon. | Action has been taken to operate children's electric train.  | Children's electric train had not been in operation even up to January 2022, due to failure in taking action to                                   |

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|     |  |  | repair by the council.  |
| (d) | Machine purchased during the year 2018 having spent a sum of Rs. 999,500 and installed for production of compost fertilizer by using solid litters had not been utilized at all even as at the date 15 May 2020. | Course of action should be taken to resume those operations again. | It has not been possible to expedite compost production due to people's protests. Assets had not been used effectively. |

**23. Jaffna Municipal Council.**

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| (a) | While action had not been taken in terms of appendix 1 in chapter XLVIII Volume 2 of the Establishments Code with regard to an accident to a vehicle used by the council during June 2014, it had been repaired having spent a sum of Rs. 1,958,200 out of council fund. | This damage should be settled immediately. | An investigation is being made again as requested by the commissioner.   | Course of action has not been taken up to now. |
| (b) | Action had not been taken to recover a sum of Rs. 2,614,429 out of money fraudulently obtained by a management assistant of the council during the year 2016,  | Amount defrauded should be recovered.      | Council has filed a case in the District Court. Similarly, a case has ben filed by the police and both the cases are being heard at present. |  |

**24. Batticaloa Municipal Council .**

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| (a) | Although a sum of Rs. 2 million had been spent for making biogas, expected results had not been achieved  | Course of action should be taken to earn income in the future.  | A problem exists with regard to distribution due to weakness in technical facilities. | Expected results have not been achieved.    |
| (b) | When selling a private land in the area of authority of the council by way of blocking out, a part of it should be transferred to the municipal council for common amenities. Five lands in extent of 97 perch so vested worth number of millions had been vested in favor of his wife and himself by the ex-Governor during the period 2003 -2006. | Suitable course of action should be taken.                      | An investigation is being carried out by the Bribery commission.                      | Course of action had not been taken.        |
| (c) | Criteria based provisions of Rs. 10.4 million made available from the Eastern Provincial Council had been kept in the bank current account continuously during a period exceeding more than 4 years without being utilized for relevant objectives.   | Action should be taken to utilize the assets or to earn income. | Action will be taken in due course after obtaining documents.                         | Action had not been taken to utilize funds. |

