

Matale Municipal Council - 2020

1. Financial Statements

1.1 Adverse Opinion

The audit of the financial statements of the Matale Municipal Council for the year ended 31 December 2020 comprising the balance sheet as at 31 December 2020 and the income and expenditure account, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 219 of Municipal Council Ordinance (Cap.252) and provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be presented in Parliament appear in this report.

In my opinion, because of the significance of the matters discussed in the basis for Adverse Opinion section of my report, the accompanying financial statements do not give a true and fair view of the financial position of the Matale Municipal Council and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Adverse Opinion

Based on the matters described in Paragraph 1.6 of this report, I express an adverse opinion. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Municipal Council's financial reporting process.

As per Sub-section 16 (1) of the National Audit Act No. 19 of 2018, the Municipal Council is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

1.4 Scope of Audit (Auditor's Responsibility in Auditing Financial Statements)

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed identify and assess the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- An understanding of internal control relevant to the audit was obtained in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Council
- Whether the Municipal Council has performed according to its powers, functions and duties; and

- Whether the resources of the Municipal Council had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws

1.5 Report on Other Legal Requirements

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

- The financial statements of the Municipal Council are in consistence with that of the previous year as per the requirement of Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018.
- Except for the observation in paragraph 1.6.1 (t) and (u) of this report, the recommendations made by me during the previous year are included in the financial statements presented as per the requirement of Section 6(1)(d)(iv) of the National Audit Act No. 19 of 2018.

1.6 Audit Observations relating to the Preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comment of the Municipal Council	Recommendation
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a) The loan installment of Rs. 542,396 paid to the Local Loans and Development Fund in the year under review, had been debited to the loan interest account without being debited to the loan capital account.	Corrective measures will be taken through journal entries in the year 2021.	Account balances should be corrected.
b) The stamp fee income of the year under review totaled Rs.32,015,580, but the same had been understated by Rs.6,491,370 thus showing the sum of Rs. 25,524,210 in the accounts.	Corrective measures will be taken through journal entries in the year 2021.	Account balances should be corrected.
c) The balance in 63 fixed deposit certificates totaled Rs. 222,902,083 as at the end of the year under review, but the same had been understated by Rs. 5,851,588 thus showing the sum of Rs.217,050,495 in the accounts.	Corrective measures will be taken through journal entries in the year 2021.	Account balances should be corrected.
d) The interest income on fixed deposits and the receivable interest income relating to the year under review, amounted to Rs.20,800,472 and Rs.5,523,143 respectively, but those values had been	Corrective measures will be taken through journal entries in the year 2021.	Account balances should be corrected.

understated by Rs.1,096,828 and Rs.1,974,783 respectively thus showing the values of Rs.19,703,644 and Rs.3,548,360 in the accounts.

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| e) | Outstanding trade license fees of Rs. 505,000 relating to the preceding year and received in the year under review, had not been brought to accounts. | Corrective measures will be taken through journal entries in the year 2021. | Account balances should be corrected. |
| f) | Income related to advertising borads totalling Rs.922,425 receivable for the year under review, had not been brought to accounts. | Corrective measures will be taken through journal entries in the year 2021. | Account balances should be corrected. |
| g) | Stamp duty totalling Rs.201,969 to be remitted to the Department of Inland Revenue in the year under review, had been understated by Rs.179,153 in the financial statements thus showing the sum of Rs.22,816. | Corrective measures will be taken through journal entries in the year 2021. | Account balances should be corrected. |
| h) | The employee security deposit totalling Rs. 353,643 existed by the end of the year under review, had been shown as Rs.136,990 in the financial statements after being understated by Rs.216,653. | Corrective measures will be taken through journal entries in the year 2021. | Account balances should be corrected
Account balances should be corrected |
| i) | In order to correct through the accounts of the year under review, a receivable stamp fee income of Rs.6,405,000 not brought to accounts in the preceding year as had been pointed out in the report of the Auditor General for that year, had erroneously been debited to a Other revenue control account as Rs.60,405,500 while being credited to the accumulated fund. A sum of Rs.6,146,700 out of the stamp fees received in the year under review, had been erroneously credited to the accumulated fund account without being credited to the other revenue account. | Corrective measures will be taken through journal entries in the year 2021. | Account balances should be corrected |
| j) | All though the renovations of 03 Projects had not been completed at the end of the year under review the estimate value amounting Rs.9,385,941 of these Projects had been capitalized. | Corrective measures will be taken through journal entries in the year 2021. | Account balances should be corrected |

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| k) | A sum of Rs.3,065,769 incurred on the construction of Aluvihare Reading Hall, along with 09 items of fixed assets purchased in the year under review to the value of Rs.632,243 had not been capitalized. | Corrective measures will be taken through journal entries in the year 2021. | Account balances should be corrected |
| l) | In order to take corrective measures on the error of failing to account the court fines totalling Rs.4,224,058 that had remained receivable during June – December of the preceding year, court fines had been understated by Rs.1,978,373 thus showing the sum of Rs.2,245,685 in the accounts in the year under review. | Corrective measures will be taken through journal entries in the year 2021. | Account balances should be corrected |
| m) | As a sum of Rs.3,253,157 receivable in respect of 03 projects had been shown as debtors amounting to Rs.3,400,000, debtors had been overstated by Rs.146,843. A sum of Rs.3,253,157 payable to the contractors for those 03 projects had not been brought to accounts under creditors as well. | Corrective measures will be taken through journal entries in the year 2021. | Account balances should be corrected |
| n) | A sum of Rs.650,752 shown as debtors relating to 07 projects during the preceding years, had been settled by the year under review. However, that sum had further been shown under debtors in the accounts. | Corrective measures will be taken through journal entries in the year 2021. | Account balances should be corrected |
| o) | The sum of Rs.10,517,811 shown as creditors during the preceding years relating to 61 projects, had been settled by the end of the year under review, but that sum had further been shown under creditors. | Corrective measures will be taken through journal entries in the year 2021. | Account balances should be corrected |
| p) | The cost of Rs.3,838,643 pertaining to 03 projects shown as creditors in the preceding year despite being abandoned without commencing the constructions, had further been shown under creditors. | Corrective measures will be taken through journal entries in the year 2021. | Account balances should be corrected |
| q) | The sum of Rs.32,647,154 being the total cost of 26 projects the works of which had not been completed after entering into agreements by the end of the year under review, had been brought to accounts as Rs.38,489,885. As such, the creditors had been overstated by Rs.5,842,731. | Corrective measures will be taken through journal entries in the year 2021. | Account balances should be corrected |

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| r) Without being adjusted to a stock in transit account, a sum of Rs.19,123,258 had been debited to the supply & purchase account whilst being credited to the supply creditors account through a journal entry. Although a sum of Rs.19,123,258 had later been credited to the supply creditors account, the supply & purchase account had not been debited. | Corrective measures will be taken through journal entries in the year 2021. | Account balances should be corrected |
| s) In order to write off the creditors of the preceding year, it had been stated in the journal entry, number 13 that the supply creditors (control) account would be debited whilst the supply creditors account would be credited with the sum of Rs. 5,541,043. Nevertheless, only the supply creditors account had been debited by Rs. 5,541,043. | Corrective measures will be taken through journal entries in the year 2021. | Account balances should be corrected |
| t) In order to correct the error of Rs.16,673,586 being debited instead of being credited to the accumulated fund along with the sum of Rs. 2,372,791 that had been credited instead of being debited as had been pointed out in the report of the Auditor General for the preceding year, twice the value of those amounts, being Rs.38,092,754 had been debited and credited to the accumulated fund in the year under review. As such, the said error had not been corrected. | Corrective measures will be taken through journal entries in the year 2021. | Account balances should be corrected |
| u) In order to sum of expenditure Rs.1,157,690 pointed out in the report of the Auditor General for the preceding year as not being brought to accounts, that value had been debited and credited to the accumulated fund in the year under review. As such, the said error had not been corrected. | Corrective measures will be taken through journal entries in the year 2021. | Account balances should be corrected |

1.6.2 Unreconciled Control Accounts or Reports

Audit Observation	Comment of the Municipal Council	Recommendation
According to the financial statements, the value of 06 items of accounts totaled Rs.3,932,509,777, but the same amounted	Action will be taken for settlement by appointing a special Committee. The value will be	The account balances should be corrected.

to Rs.3,904,241,962 as per the brought to accounts in the year corresponding reports. As such, a 2021. difference of Rs.28,267,815 existed.

1.6.3 Lack of Documentary Evidence for Audit

Audit Observation	Comment of the Municipal Council	Recommendation
As the Register of Fixed Assets, files and registers, and detailed schedules for the verification of balances totalling Rs. 3,764,220,473 relating to 09 items of accounts had not been made available, those balances could not be satisfactorily verified.	Action will be taken to prepare and present the detailed schedules without delay.	All the evidence required by the Audit should be made available.

1.7 Non-compliances

Non-compliances with Laws, Rules, and Regulations

Reference to Laws, Rules and Regulations, etc.	Non-compliance	Comment of the Municipal Council	Recommendation
a) Acts of Parliament. Municipal Councils Ordinance (Cap.252) (i.) 179 (a) (b).	A person who had entered into an agreement as the lessee of Stall, No. 60 at the super market complex, Matale on 31 December 2012, was appointed as a member of the Municipal Council, Matale through the Gazette Extraordinary, No. 2061/42-05 dated 09 March 2018. Furthermore, action had not been taken by the end of the year under review to recover a key money Rs.1,296,456 along with a fine of Rs.3,488,945 relating to the said Stall.	It is not stated in the Ordinance that the lease agreement should be terminated before becoming a member of the Municipal Council. As per the agreement, it is not possible to discontinue the business activities.	Action should be taken in terms of provisions of the Municipal Councils Ordinance.

- (ii.) 229 (b). Two beef stalls in extent of 210 square feet being maintained at the super market complex and the public market of the Gongawela, had been given on lease to the same lessee without calling for tenders for a period of 03 years from 2019 to 2021 by increasing the annual rent by 10 per cent. Further action will be taken on the selection of lessees. The tender procedure should be followed as mentioned in the Municipal Councils Ordinance.
- b) Passed by law published in the Gazette, No. 541/17 dated 20 January 1989.

Paragraph 09 of Part XX. At locations external to the market places of the Municipal Council, a beef stall, 06 fish stalls, and 24 chicken stalls were being maintained. This will be taken into consideration when issuing licenses in the year 2021. Provisions in the by law should be followed.
- c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial Regulation 396 (d). Action had not been taken on 14 cheques valued at Rs.268,111 that had remained unpresented for payment over 06 months . Action will be taken to extend the period of validity of cheques. In case of being misplaced, a another cheque will be issued in lieu. The Financial Regulation should be followed.
- d) Public Administration Circulars.

(i) Circular, No. 13/2008 dated 26 June 2008, and the amendment Circular, No. 13/2008 (V) dated 31 June 2019. A fuel allowance of Rs. 14,560 for 140 liters of fuel per month had been added to the salary of the former Municipal Commissioner. Nevertheless, a sum of Rs.209,290 had been spent on 1921 liters of fuel consumed by 02 pool The vehicle had been driven without exceeding the maximum limit on fuel. Instructions of Circulars should be followed.

vehicles used by the Commissioner during the period from 01 January to 30 June 2020 without approval.

e) Other Circulars.

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| (i) | Paragraph 5.1 of the Circular, No. 2016/03 of the Commissioner of Local Authorities, dated 17 March 2016. | Fifteen fish stalls at the super market complex had been given on rent or lease to external parties over several years without obtaining an assessment report from a Government Valuer. | The tender procedure will be executed once the assessment reports have been received from the Department of Government Valuation. | Instructions of Circulars should be followed. |
| (ii) | Paragraph 02 of the Planning Circular, No. 15 of the Urban Development Authority, dated 18 November 1993. | The balance of Rs. 2,472,822 existed by the end of the year under review in the bank account of the Council belonging to the Urban Development Authority, had not been utilized on any development project. | Action will be taken to make use of the funds under consent of the Urban Development Authority. | Action should be taken to make use of the funds in rural development. |

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the recurrent revenue of the Municipal Council in excess of the recurrent expenditure amounted to Rs. 59,242,057 for the year ended as at 31 December 2020. The corresponding recurrent revenue in excess of the recurrent expenditure for the preceding year amounted to Rs. 64,769,012.

2.2 Revenue Administration

Performance in Collecting Revenue

Audit Observation	Comment of the Municipal Council	Recommendation
(a) Based on an assessment made in the year 2013, an assessment tax of Rs.400 was being levied per annum on the 04-storied building	Further action will be taken by obtaining a report from the Technical Officer.	Action should be taken to recover rates based on the current value of assessment.

in extent of 11648 square feet located on Dharmapala Mawatha, Matale that housed the People's Bank. However, action was not taken to recover assessment tax based on the current value of assessment.

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| <p>(b) Outstanding rates totaling Rs.10,169,957 receivable from 335 private properties of which the outstanding amount per assessment unit had exceeded Rs.15,000, along with an assessment tax balance of Rs.3,900,045 pertaining to 43 Government institutions, had not been recovered by 31 December of the year under review. As of 12 November 2021, sums of Rs. 6,695,597 and Rs.3,837,103 remained further recoverable.</p> | <p>Legal action will be taken against the parties defaulting on the payment of rates over extensive periods.</p> | <p>Action should be taken to recover the outstanding revenue.</p> |
| <p>(c) Court fines and stamp fees receivable as at 31 December 2020 from the Chief Secretary of the Provincial Council and the other Authorities amounted to Rs. 8,381,103 and Rs.29,210,210 respectively. A sum totaling Rs.4,126,117 remained further recoverable as at 11 November 2021.</p> | <p>Letters of request have been sent by demanding recovery.</p> | <p>Action should be taken to recover the outstanding revenue.</p> |

2.3 Surcharges

----- Audit Observation -----	Comment of the Municipal Council -----	Recommendation -----
<p>As per the surcharges imposed by me on responsible parties in terms of provisions of the Municipal Councils Ordinance, a sum totaling Rs.536,781 remained recoverable as at 31 December of the year under review.</p>	<p>An appeal has been presented to the Secretary to the Ministry of Local Government.</p>	<p>Necessary action should be taken following decisions taken by the Secretary to the Ministry.</p>

3. Operating Review

Matters revealed in the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people in terms of Section 4 of the Municipal Councils Ordinance, are as follows.

3.1 Uneconomic Transactions

Audit Observation	Comment of the Municipal Council	Recommendation
Although the Nandimithra Ekanayake International Hockey Stadium, Matale had not been in use, a flat rate of Rs. 4,100 per month totaling Rs. 278,800 had been paid to the Ceylon Electricity Board from 2015 up to August 2020.	It could not be found with the file that the stadium had been vested in the Municipal Council. The stadium has been used for sports since the year 2015.	No evidence was revealed to the effect that the stadium had been used for sports since the year 2015. Necessary action should be taken on the payment of electricity charges.

3.2 Identified Losses

Audit Observation	Comment of the Municipal Council	Recommendation
Newspaper advertisements had been published on 13 January 2020 by spending a sum of Rs.230,502 for leasing out 32 stalls at the public markets in Gongawela and Ambagahamula. Despite being informed that the old assessment on the stalls had been valid for the 03 ensuing years from 28 March 2019, the tender procedure was cancelled by stating that the validity period of the said assessment report had expired and it was decided to call for tenders again under a fresh assessment. As such, the sum of Rs.230,502 spent on newspaper advertisements had become a loss to the Fund of the Municipal Council.	A new assessment has been received. Action will be taken to enter into agreement in accordance therewith thus recovering lease rents from the said stalls.	Enough attention and consideration should be ensured in taking action. Necessary action should be taken on the losses.

3.3 Apparent Irregularities

----- Audit Observation -----	----- Comment of the Municipal Council -----	----- Recommendation -----
(a) Forged documents had been prepared with bogus education certificates being presented by 21 employees who had been made permanent in their services on 24 October 2014 after remaining employed for a period ranging from 08 – 19 years under temporary, casual (daily), substitute, contract, or relief bases in terms of the Public Administration Circular, No. 25/2014 dated 12 November 2014.	A training course will be held for the employees without minimum educational qualifications, and those who qualify therein will be deemed to have passed 8 th grade, thus taking further action under approval of the Chief Secretary.	Proper action should be taken on irregularities. Qualifications should be verified within the specified period thus taking necessary action.
(b) Four persons residing outside the area of the Municipal Council who had forged residency certificates indicating that issued by the Grama Niladhari certifying their residence and character to show that they had resided in the area of the Municipal Council for more than 3 years, were recruited to the post of Driver.	The appointments so given have been revoked following a preliminary investigation. The Police is also conducting an investigation.	Parties involved in irregularities together with their accomplices should be identified and necessary action should be taken against them.

3.4 Management Inefficiencies

----- Audit Observation -----	----- Comment of the Municipal Council -----	----- Recommendation -----
(a) Action had not been taken to recover a sum totaling Rs. 3,389,297 receivable from 14 stalls for which agreements had been entered into in the year 2009 , along with fines computed thereon totaling Rs.22,880,827.	Action will be taken against the lessees defaulting on the said payments.	Action should be taken to recover the dues.

- (b) A sum of Rs.762,615 being the contributions to Employees' Provident Fund recovered by the Municipal Council for the year 2019 in respect of 40 vehicle controllers employed on commission basis for charging parking fees in the year 2018, had been retained in general deposits even by 18 August 2020. Although the service of those employees have been terminated, action has not been taken to refund those monies to them.
- Action will be taken to refund the monies to them.
- Those monies should be refunded to the employees.
- (c) The land plot, named Saxon Park belonging to the Municipal Council, had been given on long term lease from 29 May 1996. The agreement had not been renewed after 01 April 2011, but action had not been taken to take over the land instead, the land had been allowed for illegal use. No action had been taken for the recovery of lease rent of Rs. 135,000 relating to the period from 01 April 2016 to 31 March 2021. No assessment reports had been obtained in order for the land plot to be given on lease for the 05 year period beginning from 31 March 2016.
- Letters have been sent to the Chief Valuer requesting for assessment reports. Action will be taken to obtain written approval of the President.
- Assessment reports should be obtained and the agreements should be renewed.
- (d) The Council had decided that a daily fee of Rs.100 be charged from the private busses at the bus stand in Gongawela. However, that decision had not been implemented even by 17 August 2020. As such, a possible income of Rs. 1,291,500 that would have been earned by the Municipal Council from the busses during May – August 2020, had been lost.
- Fees could not be charged properly as the appointments of vehicle controllers had been cancelled.
- Action should be taken to collect the revenue.
- (e) As for the failure in obtaining certificates of conformity after the revenue inspectors had inspected two buildings that had been illegally constructed and used for business activities in the year under review, it had been recommended that a fine of Rs. 250 per day be charged. However, no proper action had been taken in that connection.
- The said buildings will be deemed illegal thus taking further action in due course.
- Legal action should be taken on the constructions made illegally.

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| (f) | Tender money and transfer fees totalling Rs.1,866,234 received from stalls in 32 instances had been retained in the General Deposits Account over an extensive period without being credited to the revenue. | Action will be taken to credit to the revenue. | Action should be taken to credit to the revenue. |
| (g) | Contaminated water flowing from the waste disposal yard in Wariyapolawatta had ended up in Sudu Ganga during rainy days, and no preventive measures had been taken in that connection. A case was being tried at the supreme court relating to the disposal of waste at the disposal yard in Wariyapolawatta, and a sum of Rs. 5,639,975 was spent on the case by the end of the year under review. Furthermore, the said land had not been purchased, nor had the environmental protection license been obtained. | Purchasing of the land is in progress. Action will be taken on the other activities without delay. | Proper waste management should be ensured while minimizing the environmental impact. |
| (h) | An engineering certificate had been obtained stating that fuel consumption of the Cab purchased for using of the Mayor in the year 2019 at a value of Rs. 10,975,000 was 09 kilo meters per liter. However, running charts of the Cab stated that a range of 5.26 – 7.17 kilo meters were done per liter, thus a sum of Rs. 114,708 was overspent on 869 liters of fuel by running the Cab for 15740 kilo meters from 19 December 2019 up to the date of inspection, on 30 June 2020. | Legal action will be taken to recover the amount misappropriated on fuel. | Action should be taken for the recovery of the said amount. |

3.5 Operating Inefficiencies

----- Audit Observation -----	Comment of the Municipal Council -----	Recommendation -----
(a) Five stalls in extent of 776 square feet on the upper floor of the old Public market complex located on the middle of the Ambagahamula bus halt in parallel to the Vihara Road, had remained closed. The owner of Stall, No. 30 in that market complex had made an illegal construction over an extent of 161 square feet. A trade stall	All those inefficiencies will be corrected in due course.	Safety of the properties should be ensured.

had illegally been maintained at the empty space of 63 square feet between the stair case and Stall, No. 01 on the ground floor of the market complex.

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| (b) No action whatsoever had been taken against 02 illegal constructions adjacent to the main road in Kumbiyangoda. | The construction will be deemed illegal, thus taking necessary action. | Action should be taken to demolish illegal constructions. |
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3.6 Management of Procurements

----- Audit Observation -----	Comment of the Municipal Council -----	Recommendation -----
(a) Quotations had been called on 16 January 2020 spending a sum of Rs.230,502 in order to give on lease 32 stalls and 02 milk bars that had remained closed over an extensive period, and quotations had been received only for 04 stalls and a milk bar. Despite the possibility of transferring the stalls following the tender decisions taken on 18 February 2020, action had not been taken to lease out by entering into agreements even by 31 August 2020; as such, a possible revenue of Rs.1,145,500 relating to the period from 01 March 2020 to 31 August 2020 had been deprived of.	Dues will be recovered based on the old assessment whereas lease rents will be recovered from the stalls based on the new assessment.	Lessees should be selected by following the tender procedure properly and expeditiously, thus taking necessary action to enter into agreements within the specified period.
(b) When goods are purchased under higher bid values by rejecting the low bids, reasons to do so should be given with recommendations thereon in terms of Section II(c) of Part V of the municipal Council Standard By - Lows, without giving reasons not to purchase goods at low bid values, goods valued at Rs.517,578 had been purchased at higher bid values in 06 instances inspected. Accordingly, a sum of Rs.149,472 had been paid in excess of the lowest bids.	The Financial Committee and the General Assembly will be informed in that connection, and action will be taken in due course to explain the information and reasons attributable thereto.	Provisions of the by law should be followed.

3.7 Inefficiencies in Contract Administration

Audit Observation	Comment of the Municipal Council	Recommendation
<p>(a) Despite the lack of facilities to maintain a grade 03 library as per recommendations of the National Library and Documentation Services Board, the library had been maintained in 02 rooms of the Thamagawa holiday resort building. However, a substandard reading hall had been constructed by spending a sum of Rs. 3,402,397 having disregarded the necessity for a fully-fledged library. A feasibility study had not been conducted in that connection as well.</p>	<p>Instructions of the former Municipal Engineer and the former Mayor had been followed.</p>	<p>Requirements should be identified and proper planning should be ensured through feasibility studies before implementing projects.</p>
<p>(b) A contract had been awarded to lay concrete over a length of 470 meters by properly identifying the angle of slope along the side canal of the road leading to Pullair Kovil , and a sum of Rs. 1,287,279 had been paid on 22 July 2020 as the first payment. As the constructions were in progress, the location of the side canal from a distance of 100 meters from its beginning was found to have been in a higher elevation, thus preventing the flow of water. As such, it was observed that the constructions were halted halfway by the date of inspection on 24 September 2020.</p>	<p>Works had to be halted due to protests staged by the public.</p>	<p>A feasibility study should be followed by a technical evaluation thus planning projects based on requirements.</p>
<p>(c) In the backdrop wherein 22 of the 29 stalls in the ground floor and first floor of the bus Stand in Ambagahamula had remained closed over 18 years and been left idle for destruction, the second floor had been constructed by spending a sum of Rs.10,794,600 without properly identifying the requirements and conducting a feasibility study. Despite the instability of the building with walls and beams in the first floor cracked, the</p>	<p>As per instructions of the former Mayor, action has been taken to make use of the building for tuition classes. Approval of the planning committee will be sought in due course.</p>	<p>Requirements should be properly identified and a feasibility study should be conducted before implementing proposals.</p>

second floor had been built thereon without approval of the building plan committee. The roof of the second floor had not been constructed on par with the standard, and estimates had been prepared for the new part of the building so that a total of 57 columns would be constructed in 19 rows each consisting of 03 concrete columns. However, during constructions, 36 columns had been built in 18 rows each comprising 02 columns. As such, it was observed that estimates had not been prepared properly.