

Kandy Municipal Council
Kandy District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 31 March 2016 while Financial Statements relating to the preceding year had been submitted on 31 March 2015 and the Auditor General's Report relating to the year under review was issued to the Commissioner of the Council on 18 August 2016.

1.2 Qualified Opinion

In my opinion except for the effect on the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Kandy Municipal Council as at 31 December 2015 and its financial performance for the year then ended in accordance with generally accepted accounting principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following deficiencies were observed

- (a) Roofing sheets procured for the use of construction contracts amounting to Rs. 110,187 had been taken to accounts.
- (b) Out of the medicine stocks in Ayurveda Medicine Manufactory as at 31 December year under review, a sum of Rs. 1,047,832 had not been accounted and actions had not been taken to verify the stocks at 10 Ayurvedic Centers in the area of authority of the Sabha.
- (c) Donations and grants of Rs. 3,105,607 received in respect of the year under review and previous years had been kept in deposit account.
- (d) As the ownership of 08 vehicles valued at Rs. 32,249,999 received to Sabha as donations had not yet been transferred to Sabha, though that value should be disclosed in notes to the accounts, it had been accounted under Motor vehicles and carts.
- (e) The bank deposits of Rs. 4,816,852 invested in 02 savings accounts had been shown under fixed deposits in the financial statements.
- (f) Annual interest receivable had been accounted lower than the amount in Rs. 114,336 with regard to the investments made on 06 Treasury bills.
- (g) According to the information furnished, the billing of rates for the year was Rs. 264,166,704 that had been accounted as Rs. 264,039,607.
- (h) An excess of Rs. 236,575 had been accounted in Machines and equipment, and furniture and fittings procured during the year under review.
- (i) Fifty five machines and equipment objects valued at Rs. 776,235 and 812 furniture and fittings objects valued at Rs. 1,135,545 procured during the year 2014 had been accounted as procurement in the year under review.

- (j) Eleven projects aggregating to Rs. 2,933,361 which had not been made arrangements to engage in agreements during the year under review had been accounted under Creditors amount.
- (k) Income of city parking for Rs. 200,567,833 had been receivable for more than 05 years, and actions had not been taken to disclose in notes to the accounts with regarding the case hearing in the arbitration center on the order of the Court.
- (l) Library books procured and received as donations during the year amounting to Rs. 1,265,604 had been accounted under furniture and fittings.
- (m) Guest house rent of Rs. 3,587,482 received with relate to the period from September 2013 to September 2015 had still been accounted as Debtors.
- (n) When balancing 03 deposits in house rent deposit account, it had been balanced with a shortage of Rs. 116,840.

1.3.2 Non-reconciled Control Accounts

Following matters were observed.

- (a) While the balance of 06 accounts objects according to the control account was Rs. 201,311,596, according to the subsidiary registers, balance of the account had been Rs. 204,376,111 hence a difference of Rs. 3,064,515 was observed.
- (b) As per the fixed assets register, the Motor Vehicles and Carts were Rs. 462,211,061 and as per the financial statements it was Rs. 436,444,144 hence the non-reconciliation of Rs. 25,766,917 was observed.
- (c) While the arrears of 03 revenue objects at the beginning of the year under review aggregating Rs.103,216,145, according to the information presented to the Audit, that balance was Rs. 99,442,400 hence a difference of Rs. 3,773,745 was observed.

1.3.3 Suspense Accounts

Actions had not been taken to settle the suspense account balance of Rs. 24,153,371 shown under receipts in advance in the financial statements for the year under review.

1.3.4 Accounts Receivable

While the value of 14 Accounts Receivable balances was aggregating Rs. 589,785,342, out of that value of balances that had been outstanding over 01 year was aggregating Rs. 464,575,351.

1.3.5 Accounts Payable

While the total value of 03 Accounts Payable Balances as at 31 December 2015 was Rs. 318,775,722, a sum of Rs. 256,339,313 out of those Accounts Payable balances were Expense Creditors, out of that, the value of account balances that had been outstanding over 01 year was Rs. 147,788,019. It was informed me by the Commissioner that the balances as at 10 August 2016 was Rs. 111,053,306.

1.3.6 Lack of Evidence for Audit

Transactions totaling Rs. 133,568,551 relating to 06 items of accounts could not be satisfactorily examined in audit due to non-presenting of required information to audit.

1.3.7 Non-compliance with Laws, Rules and Regulations etc.

Following instances of non-compliance were observed.

Reference to laws, rules and regulations etc.	Non-compliance
(a) Municipal Council Ordinance 127(3)	Though a fine not less than Rs. 250 per day should be charged from a person reside in a house without taking conformity certificate, actions had not been taken to recover the fine amount of Rs. 1,734,500 with regard to 15 license issued with delay which was identified in test check
(b) Establishment Code of Republic of Sri Lanka - 2013 ----- Paragraphs 6.1 and 6.2 of Section xix	Occupying in 10 Government house belong to Council had been given to 10 officers in 1983 for 05 years. Though it had been lapsed many years as at 30 June 2015 from the retirement of these officers, actions had not been taken to transfer the ownershif of those houses. Though rent of these houses is being received inconsistently, house rent of Rs. 633,336 had been remained arrers as at the end of the year under review.
(c) Circular Letter No. CPC/CS/06/06/02 dated on 11 April 2003 of Central Province Chief Secretary	Actions had not been taken to recover security deposit amount of Rs. 284,000 from 109 officers who should be kept securities.
(d) Paragraph 04.01 of the Circular No. 2/2011 dated 01 October 2011	Though the priority should be given for proposals which beneficial for more beneficiaries, a sum of Rs. 2,124,636 had been spent from Council funds for 04 contract less than 05 numbers of beneficiary families.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2015 amounted to Rs. 385,165,618 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 347,248,051. Accordingly, an improvement in a sum of Rs. 37,917,567 was observed in the financial results.

2.2 Analytical Financial Review

An improvement of Rs. 118,983,503 was observed in overall surplus of the year under review as compared with the overall surplus of the previous year, and increase in 04 revenue items and decrease in 03 recurrent expenditure items and one capital expenditure item for year 2015 had been the main reason for this decline.

2.3 Revenue Administration

2.3.1 Performance in Revenue Collection

Estimated Revenue, Actual Revenue presented with relating to the year under review is shown below.

Item of Revenue	Arrears as at 01.01.2015	Revenue Billed during the year	Revenue Collected Out of Arrears as at 01.01.2015	Out of amount Billed during the year 2015	Total Amount to be collected as at 31.12.2015
		-			-
	Rs.	Rs.	Rs.	Rs.	Rs.
Rates	145,611,674	264,166,705	82,275,688	225,580,659	101,922,032
Lease Rent	101,080,288	65,123,613	17,379,345	40,616,162	105,943,556
License Fees	--	27,411,245	--	27,411,245	--
Other Revenue	481,158,066	763,815,612	242,880,051	539,911,791	462,196,788
Total					670,062,376
					=====

The above mentioned revenue balance of Rs. 670,062,376 was in arrears as at the end of the year under review.

2.3.2 Rates

Following matters were observed.

- While the Balance of Rates in Arrears at the beginning of the year under review was Rs.145,611,674, billings during the year had been Rs. 264,166,705. A balance of Rs. 101,922,031 remained to be recovered as at 31 December 2015 as recoveries had been 57 per cent of the arrears and 72 per cent of the billings. However, actions in terms of Section 242 of Municipal Councils Ordinance had not been followed for the recovery of arrears.
- Sri Lanka Telecom Institute had filed a case against Municipal Council in the year 2008, due to over estimations made in rates for Sri Lanka Telecom Institute continuously from the year 2002 without presenting correct information to Department of Valuation and without planning properly and with negligence by the Municipal Council. An amount of Rs. 25,852,737 shown as arrears in rates but not paid by the institute had been written off from accounts in the year under review, after the Court judgement made that the rates had been over estimated. Actions had not been taken to disclose information in this regard in notes to the accounts.

- (c) Though arrears rates in the years 2013, 2014 and 2015 were remain in Rs. million 114, Rs. million 146 and Rs. Million 102 respectively, out of the cash amount collected from recovery amount and surcharge by issuing warrants an aggregating of Rs. had been paid as incentives for the Council officers in respect of 2013, 2014 and first quarter in 2015 as 03 per cent commission contrary to direction made in the paragraph 8.1 of the Circular No. 1984/19 dated 20 November 1984.

2.3.3 Lease Rent

- (a) While the Balance in Arrears at the beginning of the year under review was Rs. 101,080,288, billings during the year had been Rs. 65,123,613. A balance of Rs. 105,943,556 remained to be recovered as at 31 December 2015 as recoveries had been 17 per cent of the arrears and 62 per cent of the billings, and there was a weakness in the recovery of lease rent.
- (b) Actions had not been taken to recover the arrears housing rent outstanding of Rs. 1,202,617 from 263 labor quarters during a period between 01 and 29 years.
- (c) Out of 130 stalls in S.W.R.D. Bandaranayake Mawatha (station Road), 107 stalls had been given on rent without entering in to a legal agreement, and actions had not been taken to recover one time payment receivable amount of Rs. 24,408,500 from 87 stalls for more than 1 ½ years. Also, actions had not been taken to recover the amount of Rs. 2,803,297 consisting the monthly stalls rent, surcharges, Valued Add Tax at the end of the year under review.
- (d) The stall No. 14/157 in Manikkubura had been transferred through an agreement to a lessee for 05 years on 08 March 2002 in terms of paragraph 02 of Circular No 1980/46 dated 31 December 1980 of Commissioner of Local Government. Though, it should be required to reenter into agreements by revising lease rents after 05 years, actions had not been taken to reenter in to agreement by revising rents even after the period of rent agreements had been lapsed almost 09 years.
- (e) Though, the license of the lessee should be cancelled in instances where the stalls had been given on sub lease, no actions had been taken by the Council with regarding the lessees against that rule.

2.3.4 Water Charges

While the Balance in Arrears in water charges at the beginning of the year under review was Rs.91,085,736, billings during the year had been Rs. 503,233,797. A balance of Rs. 104,022,946 remained to be recovered as at 31 December 2015 as recoveries had been 76 per cent of the arrears and 82 per cent of the billings.

2.3.5 Court Fines and Stamp Fees

A sum of Rs. 3,078,893 as Court Fines and a sum of Rs. 113,529,139 as Stamp Fees had been receivable as at 31 December 2015.

2.3.6 Land Lease

Actions had not been taken to recover lease charges by revising them in terms of directions in paragraph 3.1 of Circular No. 2013/06 dated 11 July 2013 with regard to the lands lease exceeded 30 years. No actions had been taken with regard to the lessee whose maximum lease period had been lapsed.

2.4 Bank Reconciliations

Following matters were observed.

- (i) Actions had not been taken in terms of financial regulation 396 (e) with regarding 56 cheques in 02 bank current accounts amounting to Rs. 632,291 which had been issued but not presented for payment as at 31 December 2015.
- (ii) Hundred thirteen cheques in 02 bank accounts aggregating Rs. 3,049,402 as at 31 December 2015 had been remained as unrealized even as at 30 April 2016.
- (iii) Unidentified credit balances in 02 bank accounts as at 31 December 2015 were aggregating Rs. 8,116,890 and actions had not been taken to settle those amount even as at 30 April 2016.
- (iv) Unidentified debit balances in 02 bank accounts as at 31 December 2015 were aggregating Rs. 1,175,628 and actions had not been taken to settle those amount even as at 30 April 2016.

3. Operating Review

3.1 Performance Evaluation

A sum of Rs. 496,665,173 had been planned and estimated to perform 471 development projects during the year under review by using Council fund. Thirty four projects with estimated amount of Rs. 10,870,362 had been canceled without implementing due to improper planning, supervision and management when implementing those projects, and 65 projects with estimated amount of Rs. 52,720,893 had been converted into continuation projects in upcoming year as it was failed to implement at 31 December 2015. Therefore, it was observed that 21 percent from the total estimate was in outside of the implementation state.

3.2 Management Inefficiencies

Following matters were observed.

3.2.1 House Rent Board Deposits

A balance of Rs. 25,062,878 was remained in House Rent Board Deposits as at the end of the year under review. It was continuously brought forwarded from accounts without taking actions to settle balances by investigating whether the related parties alive or not regarding the balances coming almost from 37 years.

3.2.2 Staff Loans

- (a) Actions had not been taken to recover the loan balance of Rs. 9,104,735 even as at 15 June 2016, receivable over 01 year to 11 years from 185 officers died, retired, vacated of post, interdicted and transferred out at the end of the year under review.
- (b) An excess of Rs. 36,594 had been recovered when settling loan balances of 20 transferred out officers.
- (c) Actions had not been taken to settle the loan balance of Rs. 67,296 which receivable from officer displaced in Tsunami disaster in 2004 though it had been lapsed almost 11 years.
- (d) Actions had not been taken to settle loan balances of Rs. 77,261 even for the period of 20 years, receivable from 34 officers and excess recovery of Rs. 122,503 from 30 officers who had been attached to Ceylon Electricity Board in the year 1995

3.2.3 Debtor and Creditor Balances handed over to Electricity Board

Actions had not been taken to settle Debtor balances of Rs. 43,599,525 and Creditor balance of Rs. 50,443,103 remained at the time of handing over the Electrical Division of Municipal Council to the Electricity Board in the year 1995.

3.2.4 Fixed Assets Register

Thirty four vehicles of the Council valued at Rs. 880,086,643 had not been recorded in fixed assets register.

3.2.5 Un-recorded Inventories

One thousand six hundred fifteen furniture objects valued at Rs. 2,400,812 and 97 equipment objects valued at Rs. 1,801,400 procured in the year 2015 had not been included in inventory register.

3.3 Operational Inefficiencies

Following matters were observed.

3.3.1 Land Lease

- (a) The written consent of the President in terms of paragraph 36(i)(iii) and 40(f) of Municipal Council Ordinance (Authority 252) and approval of the relevant Minister in terms of paragraph 6.5 of Provincial Local Government Commissioner Circular No. 2013/06 dated 11 July 2013 should be taken when leasing out the Lands, lands had been lease out without taking such approval.
- (b) Though as per the paragraph 6.3 above circular, lands should be leased out only through and agreement issued by the Municipal Council which should be signed by the lessee, there were instances that the land lease out without such agreement.
- (c) The annual rent amounts charging for many lands leased out without taking actions to get land assessment report in time by the Municipal Council, were in the range between Rs. 80 and Rs. 900. However, the rent amount charging by the Municipal Council was in lower level as the compare with the present rates in the city, and therefore huge revenue which should be received to Municipal Council had been lost.
- (d) Though the register had been maintained by the land division for leased out lands including the details of lessees of land leased out by the Municipal Council, that register had not been updated after 2012. Names of 11 lessees had not been included when test check was carried out.

3.3.2 Sampath Piyasa Centers

- (a) Cash had been collected without issuing receipts when reselling of not crumble solid waste collected by Municipal Council. The receipts had not been issued for the advance amount of Rs. 10,000 received from the selling of empty glass bottles on 06 October 2015, and that amount had not been recorded in the cash book or any other register.
- (b) The purchasing and selling prices had been decided according to the preference of the Acting Administrative Officer In charge when collecting and selling solid waste in Sampath Piyasa

centers, and procedure of taking approval of Supervising Officer in this regard had not been followed.

3.3.3 Mahaiyawa Upstairs Housing Project

Following matters were observed.

- (a) It was planned in the year 1999 to construct an upstairs housing project in concurrence with Housing Development Authority with 200 houses for low income earning people who are encroached to a land in Mahaiyawa area belongs to the Council. It was started to construct 200 houses with the concurrence of transferring a land belongs to Council temporary to Housing Development Authority and on the basis of providing Council financial contribution, and that housing project was suspended due to non-transferring of the said land lot to Housing Development Authority, and the constructed 32 houses had been handed over to the Council. Though it was continuously informed to Council to pay the amount of Rs. 20,000,000 spent on constructed houses, actions had not been taken by the Council to pay that amount or to make relevant consensus in this regard.
- (b) Actions had not been taken to disclose the payable amount of Rs. 20,000,000 to Housing Development Authority in financial statements.
- (c) The Council and Housing Development Authority had not engaged with a written agreement in constructing this housing project.
- (d) It was allowed to encroach without transferring the constructed 32 houses to beneficiaries legally. It was also reported that those encroachers had sold houses to other parties by now.
- (e) Though it was planned to collect monthly by Rs. 1,000 from the beneficiary to settle the amount payable to Housing Development Authority regarding the above 32 houses, actions had not been taken to recover those amount and also no actions had been taken to charge any rent from those residents.

3.3.4 Urban Development Authority Fund

According to the paragraph 02 of the Circular No. 08 dated 30 September 1987 of the Chairman of Urban Development Authority, though it was shown that cash at bank account of Urban Development Authority could be spent for the projects expecting to be implemented for City development with the prior approval of that Authority, no development project had been implemented by using the amount of Rs. 2,138,238 in that account at the end of the year under review. The balance of that fund as at the end of the year under review had been Rs. 49,166,414.

3.3.5 World Heritage City Fund.

- (a) A balance of Rs. 3,188,249 was remained at the end of the year under review in the fund created with a view of implementing objectives such as development of World Heritage Kandy City, conservation of its archaeological, cultural and aesthetic value, and the fund was idle as it was not implemented considerable special projects in the year 2015.
- (b) Though a payment of Rs. 35,000 had been made to the designer of the world heritage web page for 02 years of maintenance period, that web page was remained idle as at June 2016.

3.4 Transactions with Contentious Nature

Even though applications had been called for the post of Ayurvedic Pharmacist, appointment had been made in the post of Ayurvedic Pharmacist from 15 October 2014 contrary to the recruitment procedure for 06 persons who had not been applied and participated in the interview of that post, and salaries and allowances of Rs. 2,638,916 had been paid since that date to 31 December 2015.

3.5 Identified Losses

Accident of Compact Vehicle No. CP – LH - 9537

The compactor vehicle No. CP – LH – 9537 deployed under special project in solid waste management division of Municipal Council had been met with an accident in the night of 11 October 2014 and a sum of Rs. 250,000 had been spent by the Council for the repair. Actions had not been taken to complete on primary investigation, to identify the responsible parties and to recover the loss even it had been lapsed over 1 ½ years a period.

3.6 Contract Administration

Following matters were observed.

3.6.1 Construction of Protection Wall near the No. 53 of Mapanawathura Lady Manin Road- Phase 02- Rs. 916,000

A sum of Rs. 916,000 had been paid by completing the work awarded the construction for an estimate of Rs. 916,000 to Kandy Corporative Society limited on 03 April 2015 under Municipal Council allocations. According to the agreement, though the maintenance work should be under taken by the contractor until 03 months from the handing over the construction, retention money had been released even before the laps of 02 months.

3.6.2 Development of Road near the Residence of Mr. Thennakoon in Galkanda watta Road – Rs. 185,000

According to an estimate of Rs. 185,000 from Council allocation, a sum of Rs. 185,000 had been paid for the completed construction which was granted to Levla Dodamwela village development society on 30 March 2015. Though it was shown in the estimate and the file as development of road near the residence of Mr. Thennakoon in Galkanda watta road, it was revealed in the physical inspection carried out on 02 September 2015 that staircase to the access road of one house of the land of said resident had been constructed.

3.6.3 Reconstruction (Maintenance) of Vijenayake watta sub Road – Rs. 454,881

Bitumen activities of a part of 200 m had been commenced in the basis of direct labor, the following observations were made in the physical inspection carried out in this regard on 02 September 2015.

- (a) The metal quantity of ABC mixture using for the construction of the road had been in lower level, and the amount of ash fault, was twice than the metal amount.

- (b) The metal of 1 inch used for the maintenance purpose was in low graded with graphite dust and minimum quantity of easily breakable granite, and it was observed that those metals were converted into dust when the roller is using.

3.6.4 Construction of Phase 1 and 2 of Protection Wall near No. 29/4 in Variyapola Sri Sumangala Mawatta - 2015

It was revealed in physical inspection carried out on 02 September 2015 that, a protection wall had been constructed in a private residence by spending Rs. 1,622,011 with the using of funds of Kandy District Disaster Management Unit and the Kandy Municipal Council.

3.6.5 Construction of Building for the Department of Water Works in Kandy Municipal Council

Construction of building for the Department of Water Works had been given to a private contractor for Rs. 82,300,350. Following matters were revealed in this regard.

- (a) According to the paragraph 4(b)(i) of sub constitution iii published in the section iv(a) of the Gazette Notification No. 1249 of 09 August 2002 which validated and empowered by the Extra Ordinary Gazette Notification of Republic of Sri Lanka No. 1304/18 of 05 September 2003, though calling for quotations of contract less than or equal to Rs. 500,000 could be done from registered contractors, above estimate with the value of Rs. 97,258,259 had been published by calling for quotation from registered contractors and contractor had been selected accordingly. The constructions had been awarded without considering tender procedures and tender conditions.
- (b) Though the tender evaluating committee had decided to conclude with inquiring two institutions of Central Engineering Services private institute affiliated in Central Engineering Consultancy Bureau and State Engineering Corporation, actions had not been taken accordingly.
- (c) Following matters were revealed in physical inspection carried out on 03 and 05 February 2016 with regard to the construction work started in the above building.
 - (i) Larger size of $\frac{3}{4}$ " metal mixed with standard chips and low graded $\frac{3}{4}$ " metal had been used for the concrete mixture to construct concrete layers.
 - (ii) Compactions had not been done properly and those concrete layers were in easily removable condition.
 - (iii) The low grade sand with mud had been used in concreting of side walls and completed column bases.
 - (iv) Boulders had been paved in bath sides of side walls without taking prior approval and proper instructions.
 - (v) Though the approval should be taken for the details designs of the site prepared by the contractor by producing them to the engineer of the Council, actions had not been taken in this regard even as at 17 February 2016.

3.6.7 Constructions of Municipal Council Office Building

The construction had been awarded for Rs. 4,921,336 to a private contractor on 18 September 2012 according to an estimate of Rs. 5,600,000. After commencing of work, contracts had been awarded for Rs. 89,342,796 in 06 instances under 06 engineering estimates for Rs. 92,280,722 and a sum of Rs. 58,655,847 had been paid. Following observations are made in this regard.

- (a) Though separate estimates for each stage should be prepared in accordance with the cost estimate prepared at once for the whole building, without preparing a total cost estimate, the procedure of awarding contracts had been followed by preparing estimates relevant to each stage.
- (b) According to the paragraph 4(b)(i) of sub constitution iii published in the section iv(a) of the Gazette Notification No. 1249 of 09 August 2002 which validated and empowered by the Extra Ordinary Gazette Notification of Republic of Sri Lanka No. 1304/18 of 05 September 2003, though calling for quotations of contract less than or equal to Rs. 500,000 could be done from registered contractors, above estimate with the value of Rs. 92,280,722 had been published by calling for quotation from registered contractors and contractor had been selected accordingly. The constructions had been awarded without considering tender procedures and tender conditions.
- (c) Problems of the soil in the land had been arose after initiating the construction work without doing proper planning, proper feasibility study and floor soil testing etc.; even though the council has qualified engineering and planning technicians. After receiving the report on floor soil test from Peradeniya University, a new estimate for Rs. 4,566,894 had been prepare by changing the initial plan and estimate, and had been engaged with a new agreement with the previous contractor on 03 April 2013. Further, actions had not been taken to cancel previous agreement engaged in 18 September 2012.
- (d) Though a sum of Rs. 700 was estimated to excavate 01 cubic meter of the foundation, the price quoted by the contractor in this regard was Rs. 250. However, a sum of Rs. 402,131 had been over paid for 1072.35 cubic meters due to estimating of Rs. 625 per cubic meter for newly added excavation of ground floor foundation under work item No. 04.
- (e) When comparing the overall status of the building, the toilet system if the building had been completely failed due to the improper construction of this building and it had been started to gather water in the vehicle park constructed inside the building.

3.7 Delay in Projects

Following matters were observed.

- (a) Though the allocation of Rs. 1,000,000 had been received for the project of development of road from the first Lane to railway in Siyambalagasthenna – Mavilmada Muslim Mosque road under Dorin Dorata Gamin Gamata Programme, that programme could not be performed due to identifying that the road was in railway reservation. It was observed that, non-taking actions to identify projects in accordance with the proper plan through a relevant feasibility study had been a main reason.
- (b) Twenty four projects amounting to Rs. 90,632,252 which had been planned to complete during the years 2012, 2013 and 2014 had been in continuation work. Those projects were started from 01 to 03 years and were still in uncompleted projects.
- (c) Though 28 trade businesses had been identified under the programme implemented in the year 2014 for fixing world heritage sign boards in buildings of Kande Weediya, sign board of only one trade business had been placed even after a delay period of 02 years.

3.8 Solid Waste Management

It was revealed that 130 tons of daily collected waste by deploying resources such as officers and 567 workers, 263 vehicle, carts and equipment in divided 06 health zones for solid waste management had been dumped into Thekkawattha land situated in Gohagoda area without using them in compost

manufacturing or without following proper procedure and proper management as well as without having a license. The risk and possibility of much disease infective among the people living in that area, and it was being converted into unpleasant area with polluting environment.

3.9 Vehicle Control

Following matters were observed.

- (a) The loss of Rs. 380,460 from the accident occurred to the vehicle 253-3800 in the year 2003 had been brought forwarded from accounts without taking actions to recover or to do things necessary.
- (b) Though the police had taken legal actions in causing the accident by driving out the vehicle No. 252-4088 from Sabha premises on 04 December 2015 at 20.45 by the driver without the approval and driving with drunk, officers in charge for vehicles had not reported in this regard in writing. The driver had been allowed to retire on 10 December 2015 without following proper actions with regard to the driver. The repair of the damaged vehicle had been done improperly, and the improper procedure of taking quotations from the driver who had done the accident had been followed and allowing the same driver to perform the repair. It had been allowed to perform the repair by calling quotations in the driver's preference without preparing assessment report of mechanical engineer.

4. Good Governance and Accountability

4.1 Budgetary Control

Following matters were observed.

- (a) It was observed according to the budget prepared for the year under review, that the budget had not been made use of as an effective tool of management as there were variations from 23 per cent to 93 per cent in 06 items of expenditure, when compared with the estimated expenditure and the actual expenditure.
- (b) Though an amount of Rs. 5,000,000 for Gohagoda waste dumping yard and Rs. 750,000 for the construction of toilets in industry and health zones had been provided under capital expenditure vote 35517 II in annual budget estimate, a sum of Rs. 67,293 had been spent from those allocations to develop pre-schools and to renovate pavilions.
- (c) Though an amount Rs. 2,500,000 had been provided under capital expenditure vote 11517 iv in annual budget estimate for the renovation of town hall, a sum of Rs. 507,495 had been spent from those allocations to construct half of Dodamwala Kuda Rathwattha road.

4.2 Annual Procurements Plan

Though Council had spent a capital expenditure of Rs. 267,284,106, Procurement Plan had not been prepared for the year under review.

4.3 Assets Management

4.3.1 Idle and Under-utilized Assets

(a) Four seventy eight units of unidentified assets value in Ayurvedic manufactories and 10 Ayurvedic centers of 11 Departments, belongs to Council had been kept idle and under-utilized over one year.

(b) **Other Funds**

An aggregating amount of Rs. 6,443,390 in 03 funds accounted under general fund had been idle without performing from many years.

(c) **Idle Reserve Funds**

An aggregating amount of Rs. 24,019,458 in 03 reserve funds accounted under investment had been idle without performing over 35 years since 1980.

4.3.2 Annual Board of Survey

As per the Financial Regulation 756, board of survey for the year under review had not been conducted even as at 30 July 2016 in 15 Departments and 05 Divisions belongs to Municipal Council.

4.3.3 Corporate Plan

A Corporate Plan had not been prepared for the year under review.

4.3.4 Action Plan

Action Plan had not been prepared for the year under review.

5. Systems and Controls

Special attention is needed in respect of the following areas of systems and controls.

- (a) Accounting
- (b) Internal Control
- (c) Financial Control
- (d) Revenue Administration
- (e) Contract Administration
- (f) Assets management
- (g) Debtors and Creditors Control