

## **Negombo Municipal Council - 2021**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of Negombo Municipal Council for the year ended 31 December 2021 comprising the statement of assets and liabilities as at 31 December 2021 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, 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 the Municipal Councils Ordinance (Chapter 252) and provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Negombo Municipal Council as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards for Local Governments.

#### **1.2 Basis for Qualified Opinion**

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My opinion is qualified on the matters described in paragraph 1.6 of this report in relation to the financial statements.

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

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

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Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standard for Local Governments, 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 financial reporting process of the Council.

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the 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 of the Council.

#### 1.4 Audit Scope (Auditor's Responsibility for the Audit of the Financial Statements)

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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:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's 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 Council, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Council has complied with applicable written law, or other general or special directions issued by the Council;
- Whether the Council has performed according to its powers, functions and duties; and
- Whether the resources of the 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

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

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

## 1.6 Audit Observations on the Preparation of Financial Statements

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### 1.6.1 Noncompliance with Sri Lanka Public Sector Accounting Standard for Local Governments

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Audit observation	Comments of the Council	Recommendation
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(a) Although the property, plant and equipment owned by the Council should be classified under 14 types in the preparation of the financial statements according to Standard No. 3.5 and according to the letter of the Commissioner of Local Government bearing No. LGD/10A/4/න.ස./2019 dated 12 February 2021, assets such as lands, buildings, office equipment, computers and computer software etc. owned by the Council had not been identified and classified in the financial statements of the year under review.	I would like to inform that the work of grouping of fixed assets is currently being done and will be included in the financial statements in the ensuing year.	Action should be taken in compliance with Sri Lanka Public Sector Accounting Standard for Local Governments and the Circulars of the Commissioner of Local Government.
(b) Although all the assets should be revalued and accounted according to Standard No. 18.7 and according to the letter of the Assistant Commissioner of Local Government bearing No. LGD/10A/4/න.ස./2019 dated 01 February 2021, the property, plant and equipment owned by the Council had not been revalued and accounted.	I inform you that I will take action to submit the relevant information as soon as possible.	Action should be taken in compliance with Sri Lanka Public Sector Accounting Standard for Local Governments and the Circulars of the Commissioner of Local Government.

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| (c) | The expenses of depreciating property, plant and equipment should be identified and accounted under excess or deficit in all periods according to Standard No. 6.11, the property, plant and equipment owned by the Council had not been depreciated and accounted accordingly. | Action will be taken to settle in the future. | Action should be taken in compliance with Sri Lanka Public Sector Accounting Standard for Local Governments and the Circulars of the Commissioner of Local Government. |
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## 1.6.2 Accounting Deficiencies

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Audit observation -----	Comments of the Council -----	Recommendation -----	
(a)	In the year under review, capital expenditure grants receipts amounted to Rs.35,256,464 received from external parties in relation to previous years and payments to creditors related to previous years amounted to Rs.33,970,335. Therefore, the balance amount of Rs.1,286,129 had not been accounted as creditors.	It is informed that it will be rectified through a journal entry.	Must be properly accounted.
(b)	Although 63 projects had been completed from Rs.59,030,161 received as capital grants in the year under review, the said value had not been included under note No. 10 of capital expenditure grants account in the statement of comprehensive income. Although only a sum of Rs.37,229,894, the total of Rs.35,256,464, capital grants received for the previous year and a part of the capital grants amounting to Rs.1,973,430 received in the year under review had been accounted under Note No. 10, the value had not been recognized to revenue and had accounted as current liabilities as short-term payables. The value of amortization obtained as per the calculation made under the depreciation percentage related to the asset, for which that grants is used from the capital expenditure grants received in the previous year should be accounted as transfers made by the government for non-recurrent expenses under Note No. 05. However, the capital expenditure amortization value received for the previous year had not been calculated and accounted.	It is informed that I have noted down to rectify in the future.	Must be properly accounted.

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| (c) | Industrial debtors amounting to Rs.57,056,731 of 60 projects receivable from external parties for the year under review had not been accounted.  | It is informed that it will be rectified through a journal entry.                                   | Must be properly accounted. |
| (d) | Provision had not been made for industrial creditors amounting to Rs.59,461,946, payable to contractors for 64 projects in the year under review. As a result, industrial creditors had been understated by that value.  | It is informed that it will be rectified through a journal entry.                                   | Must be properly accounted. |
| (e) | Since the balance after deducting the current asset amounting to Rs. 6,763,982 that had been paid in excess to creditors had been indicated in the financial statements as the miscellaneous creditor balance amounting to Rs. Rs.180,494,981 as at 31 December 2021, creditors had been understated by that amount.   | I would like to inform you that action will be taken to adjust by the accounts in the ensuing year. | Must be properly accounted. |
| (f) | The loan amount of Rs.38,840,000 received from the Local Loans and Development Fund on 13 October 2021 for the construction of the Kamachchodaya Dudley Senanayake Central Market (Phase 1) building had been invested by the Council in a fixed deposit of the National Savings Bank on 06 December 2021. However, the amount had not been accounted as investment and the loan of the Local Loans and Development Fund and as a result, long-term loans payable and investments had been understated by that amount. | It is informed that it will be rectified through a journal entry.                                   | Must be properly accounted. |
| (g) | The tax relief amounting to Rs. 310,774 provided due to the Covid pandemic to the lessees of 07 meat shops owned by the Council for the year under review had not been removed from the billed value of the year. Therefore, the revenue of the year under review had been overstated by that value.   | I inform you that it will be rectified in accounting in the future.                                 | Must be properly accounted. |
| (h) | Due to crediting additional debits of assessment taxes and fines amounting to Rs.5,020,376 related to the year under review to the arrears in other revenue account instead of crediting to the assessment account as a billed amount, the assessment taxes and arrears in other revenue accounts of the year under review had been understated by that value.   | I inform you that it will be rectified in accounting in the future.                                 | Must be properly accounted. |

- (i) Receivables from non-exchangeable transactions amounting to Rs.203,451,284 had been stated in the statement of assets and liabilities after deducting the sum of the balances of 03 payable accounts amounting to Rs.243,670. As a result, the balance receivable had been understated by that value. I inform you that it will be rectified in accounting in the future. Must be properly accounted.
- (j) Although the assessment value of 149 motor vehicles indicated in the new valuation report submitted to the audit had been Rs.262,659,600, their value had been stated as Rs.238,216,674 in the financial statements at the end of the year under review. Therefore, the value of the motor vehicles had been understated by Rs.24,442,926. I inform you that it will be rectified in accounting in the future. Must be properly accounted.
- (k) Expenditure of Rs.95,850,287 incurred for the purchase of assets during the year under review had been accounted as recurrent expenditure in the statement of comprehensive income instead of accounting as assets. Therefore, the comprehensive income had been understated by that value. I inform that the value spent on the purchase of stores goods in the year under review has been included in the expenditure of the year. Must be properly accounted.
- (l) Even though an amount of Rs. 6,313,200 had been released even by 31 March 2021 in relation to the two phases for the resource recycling centre, scheduled to be constructed jointly by the Municipal Council and the Institute for Global Environmental Strategies of Japan, the recycling centre had not been accounted under non-current assets or work in progress. I would like to inform you that fixed assets will be included in the account as buildings in the ensuing year. Must be properly accounted.
- (m) The accumulated fines in Kochchikade and Talahena sub-offices for the second and third quarters of the year 2020 had been Rs.1,286,572 and Rs.411,275 respectively and the amounts had been written off from the registers based on a resolution of the Council. Since the amount had not been adjusted as additional credit to the receivable assessment account, the balance of that account had been overstated by Rs.1,697,847. I inform that the registers will be adjusted and rectified. Must be properly accounted.

### 1.6.3 Unreconciled Control Accounts and Reports

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Audit observation	Comments of the Council	Recommendation
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(a) A difference of Rs.13,923,283 was observed between the balance of the account as at 31 December 2021 of 07 account items mentioned in the financial statements and the balances according to the subsidiary registers.	I inform that action will be taken to rectify in the ensuing year.	The differences in the respective balances should be reconciled and the accounts should be corrected.
(b) The outstanding balance of the assessment tax as at 31 December 2021 had been Rs.194,628,157 as per the financial statements and it had been Rs.194,407,644 as per revenue schedule and the balance as per the report on arrears of revenue had been Rs.186,256,961.	I inform that action will be taken to rectify.	The differences in the respective balances should be reconciled and the accounts should be corrected.

### 1.6.4 Transactions without Authority

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Audit observation	Comments of the Council	Recommendation
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Although an Assessment tax relief amounting to Rs. 3,515,185 had been granted for 04 hotels after taking a decision by the Council to provide a 50 percent of assessment tax relief for hotels in the limits of the municipal council for the second, third and fourth quarters of the year 2020 and the first quarter of 2021 on closing of hotels with goods, the approval of the Commissioner of Local Government had not been obtained for that.	It is informed that the Council has decided to give the relevant tax concessions after considering the situation in the country and it has been forwarded to the Commissioner of Local Government for approval.	The approval of the Commissioner of Local Government should be obtained.

## 1.6.5 Receivable and Payable Accounts

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<b>Audit observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
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<b>(a) Receivable Accounts</b>		
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(i) There had been balances amounting to Rs.2,181,731 and Rs.677,250 that had been overdue for more than 11 years as at 31 December 2021 in the miscellaneous advance balance and stores advance balance respectively and action had not been taken to recover them.	I would like to inform you that we will investigate further and collect the money that can be recovered in the future.	Action should be taken to recover.
(ii) The value of cheques deposited since 1991, but dishonoured had been Rs.980,270 and action had not been taken to recover money for those 53 dishonored cheques.	Arrangements have been made to recover money for the cheques, for which information had been received. It is informed that arrangements are being made to write off the value of the cheques over 10 years on the approval of the Minister in charge of the subject.	Action should be taken to recover.
(iii) The advance amounting to Rs.1,102,931 given to a contracting entity in the year 2018 had not been settled and action had not been taken to recover the advance.	I would like to inform you that action is being taken to recover.	Action should be taken to recover.
<b>(b) Accounts Payable</b>		
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There had been balances of sundry creditors amounting to Rs.91,104,421 and stores creditors amounting to Rs. 3,048,165 within the creditor balance of Rs.94,152,585 for a period of 02 – 04 years as at 31 December 2021. Action had not been taken to settle those balances.	I inform you that I will find out and settle it in the future.	Arrangements should be made to settle.



### 1.6.6 Lack of Documentary Evidence for audit

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Audit observation -----	Comments of the Council -----	Recommendation -----
Investment certificates for 07 investments worth Rs. 3,187,820 had not been submitted for audit.	Letters have been forwarded to banks for obtaining the certificates.	Investment certificates must be submitted.

### 1.7 Non-compliance

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#### Non-Compliance with Laws, Rules, Regulations and Management Decisions

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Instances of non-compliance with laws, rules, regulations and management decisions are mentioned below.

Reference to Laws, Rules  Regulations and management decisions -----	Non-compliance -----	Comments of the Council -----	Recommendation -----
(a) Municipal Council Ordinance (Chapter 252) (i) (d) of Section 188 (1)	Although the Council has been authorized to refund amounts authorized or prescribed by this Ordinance or under any other written law, Rs. 310,400, which was the revenue earned from reservation of the hall of the Municipal Council had been refunded in contrary to that as a charge on the accumulated fund.	It is informed that action will be taken to rectify.	Action should be taken in accordance with the provisions of the Municipal Councils Ordinance.

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| (ii) Sections 211, 216 and 217  | Rs.18,542,608 had been charged on the Fund in contrary to section 188(1) on the Utilization of the Municipal Fund of the Expenditure Ordinance arising out of the failure of the Municipal Councils to make creditor provision for expenditure in previous years in contrary to Sections stipulated I relation to budgetary control. | It is informed that action will be taken to rectify. | Action should be taken in accordance with the provisions of the Municipal Councils Ordinance. |
| (b) The Financial Regulations of the Socialist Republic of Sri Lanka          |  |  |   |
| (i) No. 371(5) and (6)  | A balance of unsettled advance payment amounting to Rs.2,264,092, related to the period from the year 2009 to the year 2015 had been settled on the recommendation of the Technical Officer in the year under review without Goods Receipt Notes (S.R.Note) by making it a charge on the Accumulated Fund.                           | It is informed that action will be taken to rectify. | Action should be taken as per the referred regulations.                                       |
| (c) Circulars of the Commissioner of Western Local Government                 |  |  |   |
| (i) Section 03 of the Circular No.LGD/10A/4/ස. 8/2019 dated 18 September 2020 | Even though separate registers should be maintained in relation to fixed assets as per Form No. LG 23/1 to No. LG 25/1, the Council had not maintained such asset registers.   | Action will be taken to rectify.                     | Action should be taken in terms of the Circulars.   |

(ii) Circular No. LGD/09/2019(I) dated 24 August 2020	Even though the limits of Public Officers Advance 'B' Accounts should have be approved as indicated in the format, L G21/2 of the Circular, The Council had not taken action to approve the limits of Advance Accounts.	Action will be taken to rectify.	Action should be taken in terms of the Circulars.
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## 2. Financial Review

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### 2.1 Financial Result

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According to the financial statements presented, the surplus of the Council for the year ended 31 December 2021 had been Rs.58,059,856, and correspondingly, the surplus of previous year had been Rs.12,330,794.

### 2.2 Financial Control

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Audit Observation	Comments of the Management	Recommendation
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<p>As per FR 141(2), the first signatory is deemed to be the "paying officer" and the paying officer is primarily responsible for the correctness of the cheque. Accordingly, it was not possible to satisfy of the irregularity in assigning the task as the first signatory to an officer, who was first appointed to the post of Municipal Engineer regarding every payment directly related to its accounting department, for 52 cheques, amounting to Rs.26,217,747, which had been the total amount in the general account and the amount of the cheque of Rs.29,975 of the Distress account for the duration of 22 October 2021 to 26 October 2021. The failure of the Municipal Commissioner and the Municipal Secretary to hold the responsibility as the first signatory until an accountant is appointed had been identified as a weakness in the financial administration.</p>	<p>I would like to inform you that the municipal engineer has placed the first signature in the payment of salaries for the permanent employees of the Council and the municipal secretary has placed the second signature as signing in a moment of need.</p>	<p>Action should be taken as per the Financial Regulations.</p>

## 2.3 Administration of Revenue

### 2.3.1 Performance in the Collection of Revenue

Audit observation	Comments of the Management	Recommendation
(a) The assessment tax deficit as at 01 January 2021 had increased by 25,815,000 as at 31 December 2021.	I would like to mention that although the activities of seizure of property had been carried out in the previous years, it was not possible to do so in this year due to the pandemic situation. Therefore, the collection of arrears of assessment tax has been in a poor level.	Arrangements should be made to recover the revenue arrears.
(b) Although there had been a arrears of old license fees amounting to Rs.2,346,000 as at 31 December 2021, legal action had not been taken to recover it.	I would like to inform that it is problematic to take legal action as it has been confirmed that the trade places had not been conducted,	Legal action should be taken against the institutions, which had not taken licences.
(c) Even though it had been informed to function under Section 266 (a) of the Municipal Councils Ordinance in relation to financial value foregone due to the concessions granted in the provision of concessions due to the closure of shops owned by the Local Government Bodies due to the Covid epidemic as per the letter of Commissioner of Local Government of the Western Province bearing No. LGD/06/02/04/Public dated 09 June 2020, the approval of Council granted for the year 2021, for rent concessions amounting to Rs.2,402,837 granted to 355 shops and the tender tax concessions amounting to Rs.310,774 granted to 07 shops had not been submitted to the Governor and the approval of the Governor had not been	I inform you that action will be taken to investigate and to collect.	Action should be taken as per the Circulars issued by the Commissioner of Local Government of the Western Province.

obtained for that. Although tax concessions had to be provided only to those shops, who had paid rents properly, according to the aforementioned letter, tax concessions had also been provided to 277 shops, for which the rents had been in arrears.

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| (d) | Although the fines for the shops of the Council amounting to Rs. 134,873 had been write off for the months of May and June 2021 due to Covid 19 pandemic, the approval of the Council had not been taken for that and the approval had not been forwarded to obtain the approval of the Commissioner of Local Government.  | I would like to inform that it will be submitted for the approval of the Commissioner of Local Government. | It should be submitted for the approval of the Commissioner of Local Government of the Western Province.   |
| (e) | In leasing the assets of the Council for the year 2021, 06 assets had been leased on the decisions of the Council at the amount of lease prevailed in the previous years, without conducting tender activities even during the year under review as in the previous years and 07 assets had been leased to the same lessees of the previous year at the amount, 10 percent added to the tax amount prevailed in the previous year. | I would like to inform that tenders have been invited for the year 2022.                                   | Action should be taken as per the Circulars issued by the Commissioner of Local Government of the Western Province and in terms of the provisions of the Municipal Councils Ordinance. |

### 3. **Operational review**

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The matters observed regarding the accomplishment of the functions that should be discharged by the Council under Section 4 of the Municipal Councils Ordinance, charged with 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 and all amenities of the Municipality, are mentioned below.

### 3.1 Operational Inefficiencies

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Audit observation -----	Comments of the Management -----	Recommendation -----
<p>Exercise books worth Rs.10,255,112 had been purchased for distributing to children of low-income families for the year 2021. According to the documents of expenditure, the value of the exercise books issued had been Rs.3,672,292 and the value of the remaining books had been Rs.474,358. Therefore, there had been a shortage of books worth Rs.6,108,462. There had been no signatures of 5141 children in the name lists, to whom it was stated that books had been distributed by twenty (20) members of the Council.</p> <p>Furthermore, it had been mentioned that a complaint had been lodged in the police pertaining to keeping a certain number of books for sale at the book shop in Negombo city, and the police investigation report on this had not been submitted to audit.</p>	<p>The Members of Council have been notified orally and in writing to provide the relevant name lists and I inform that the members of the Council, whose names had been submitted have not yet provided those lists.</p>	<p>Exercise books should be Distribution of in a transparent manner.</p>

### 3.2 Deficiencies in Contract Administration

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Audit observation -----	Comments of the Management -----	Recommendation -----
<p>(a) Although the construction activities had been started on 16 March 2016 with a loan amount of Rs.168,000,000 approved by the Local Credit and Development Fund for the construction project of the two-storied library building with commercial facilities, the release of the loan money from the Local Loans and Development Fund had been temporarily suspended due to the poor performance of the original contractor. Although Rs.88,155,805 had been paid for 08 bills from the Local Loans and Development Fund by 30 October 2019, payments had not been made to the bills bearing No. 09 to 12 submitted by the</p>	<p>The Chartered Engineer inspected the cracks under the supervision of the Negombo Municipal Council officers and it had been confirmed that the cracks had not damaged the structural integrity of the building. Therefore, the payment had been made to the contractor and an agreement had been reached with him to</p>	<p>The recommendations of the National Building Research Institute and the provisions of the Government Procurement Guidelines should be followed and provisions should be made before starting the projects and the projects should be started without delay.</p>

original contractor and amounted to Rs. 38,127,107 even by 30 April 2022. According to the report submitted by the National Building Research Institute for the commencement of the remaining work of this project, it had been reported that there had been scattered cracks in the parts that had been constructed. The project consulting firm had submitted an estimate of Rs.110,371,441 for Stage II. Provision had not been allocated for this purpose by the budget of the year 2021. However, bids had been invited for the remaining works on 30 June 2021. Technical Evaluation Report had been issued on 18 August 2021 without taking action to make the balance allocation. Although 07 months had passed since the bids had been invited, the Council had failed to award the bid. The basic cost estimate for the rest of the work had been Rs.110,371,441 and the bid of the bidder selected to award the contract had been Rs.131,698,948. Despite the increase in price by Rs.21,327,507 i.e.19.2 percent as the percentage, it had been decided to award the bid and discussions had not been held on the items, of which the price had increased and had not reached to a compromise. The bid security amounting to Rs. 500,000, submitted by the relevant contractor had expired on 23 November 2021, and the period in that regard had not been extended.

cancel the contract. By the time of announcing the relevant judgment, the period related to this bid had passed. We have taken action to call tenders again under a new engineering estimate as the previously provided engineering estimate had not been valid due to the economic crisis prevailed in the country at that time. It is informed that the further activities of the tender procedure are currently being carried out.

- (b) A contract had been entered in to with a village development society for an amount of Rs.1,736,442 on 20 July 2021 for the project of constructing the drain and three culverts on the road from the culvert close to house No. 213/D of Kapungoda St. Anthony roundabout up to road close to the house of Mr. Annesly Wettasinghe and covering the drain and three culverts with concrete slabs. For this drain, which had been estimated at 464 feet, 7 10-inch iron wires should be applied for 2 embankments along the length of the drain
- I inform you that it was decided not to pay the full amount for the parts that had not been built to the proper standard and to pay for the remaining parts and to extend the retention period up to one year and to increase the retention amount up to 10 percent.
- During the implementation of the projects, the projects should be properly supervised and the projects should be completed according to the prescribed standard.

and for the bottom, and during the physical inspection carried out on 11 January 2022, less No. of wires in the range of 01 to 03 iron wires had been fixed at 04 cutting points. Moreover, the installation of iron wire in the drain had not been placed according to the plan and it was observed that this drain had not been constructed according to the required standard as this had been referred to a Committee comprised of the Engineer of Gampaha District for payments and that Committee had also reported that the iron wire had not been applied according to the prescribed standard.

- (c) The cost estimate for the construction of the Kamachchodaya Dudley Senanayake Central Market (Stage 1) building had been Rs.402,355,442. Although provision had been allocated comprised of a sum of Rs.194,000,000 approved from the Local Loans and Development Fund on 07 July 2019 and Rs.10,000,000 from the Council Fund in the year 2021, it had not been specified how the remaining funds would be found. It had been entered in to a contract on 12 August 2021 with the lowest bid, among the bids received by calling tenders, for an amount of Rs. 405,022,717 and it had been agreed to complete construction in 10 months. The commencement of the work of the construction had been delayed due to the fact that the performance Bond / Advance Payment Guarantee presented by the contracting company had been fraudulently prepared false guarantees. The Central Bank of Sri Lanka had confirmed that the financial institution that had submitted the guarantees was not an institution regulated by the Central Bank of Sri Lanka. According to the recommendation made by the Civil Engineer in the Council in the report of Council dated 23 November 2021, the contract agreement had been cancelled on
- I would like to inform you that the company concerned had not submitted a request for an additional estimate and since it had been observed that the consulting firm had acted irresponsibly, the payment to the concerned firm has now been stopped.
- Before commencing projects, provision should be made for it and action should be taken according to the provisions of the Government Procurement Guidelines.



02 December 2021 and the Council had approved the incitation for tenders on 17 February 2022. This company had the only entity that had submitted bids for a sum of Rs.479,642,846 in the second call for tenders since the company had not been blacklisted for non-execution of a contract in accordance with the provisions of 8.11.4 of the Government Procurement Guidelines and had been able to bid for the recalled tender. The Technical Evaluation Committee had decided on 27 April 2022, that the contract should be awarded to this company as the bid of the contracting company had been lower than the estimated amount. It was further observed that the consulting company that had been appointed by the contracting company for the completion of this project has acted irresponsibly.

### 3.3 Human Resource Management

#### 3.3.1 Employee Vacancies and Excesses

Audit observation -----	Comments of the Management -----	Recommendation -----
Since there had been 03 vacancies in the Accountants' Service, recruitment had been made for the post of Chief Accountant on contract basis.	Comments have not been provided.	Action should be taken to fill the vacancies.

#### 3.3.2 Employee loans

Audit observation -----	Comments of the Management -----	Recommendation -----
It had not been possible to recover a balance totalling to Rs. 4,612,088 comprised of Rs. 594,366 as at 31 December 2021 from 17 officers, who had left the service from 2008 to 2021, a sum of Rs.2,088,037 from 48	It is informed that action is being taken to recover the relevant loan balances.	Action should be taken to recover the balances.

officers, who had died and retired from 1982 to 2021 and Rs.1,929,685 from 22 officers, who had transferred from the Council from 2005 to 2021.

### 3.4 Vehicle Systems Management

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<b>Audit observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
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There had been information that 10 vehicles recommended for disposal by the vehicle survey in the year 2018 had been disposed of. However, the cost of those vehicles had not been eliminated from the financial statements.	The registration of 02 vehicles has been canceled and the vehicles have been disposed of. The tractor has been disposed of in its existing condition.	Action should be taken to eliminate them from the financial statements.