

Matara Municipal Council – 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Matara Municipal Council for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial operation, statement of changes in net assets, cash flow statement for the year then ended and notes to the financial statements, including material accounting policy information 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, except for the effects of the matters described in the Paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Matara Municipal Council as at 31 December 2023, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Practices.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in Paragraph 1.6 of this report.

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

1.3 Responsibilities of Management and the parties in charge of governance on 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 Practices, 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 in charge 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 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 skepticism 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

- (a) 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.
- (b) The recommendations made by me during the previous year are included in the financial statements presented as required by Section 6(1)(d)(iv) of the National Audit Act, No. 19 of 2018.

1.6 Audit Observation on the preparation of Financial Statements

1.6.1 Accounting Deficiencies

	Audit Observation	Comment of the Council	Recommendation
(a)	The outstanding loan balance and the interest of Rs. 40,504,466 as of 25 September of the year under review from the loan amount of Rs.89,373,461 provided by the Urban Development Authority for urban sector projects in the year 1995, and the court fines receivable at the end of the year under review had been less accounted by Rs.316,149.	The total loan amount payable will be accounted and paid after the settlement, and maintaining a new file about the case units of specific cases filed and fines has been started in order to settle the court fines.	The total loan amount payable should be accounted correctly.
(b)	The receivable stamp duty income of Rs.10,460,551 and the amount of Rs. 434,220 receivable from selling polythene at the compost yard had been accounted in excess.	As the stamp duty is still to be collected, the said income cannot be removed from the debtor's register, and the corrections will be done in the preparation of the financial statements of the year 2024 regarding the amount to be collected.	The stamp duties receivable should be accounted correctly.
(c)	A sum of Rs.9,419,383 collected and to be collected had been accounted under service charges without maintaining a VAT control account in the year under review, and paid and payable VAT amounting to Rs.16,453,706 had been accounted under the deposit account causing the income being accounted in excess of that amount.	The actions will be taken to maintain a separate ledger account under the service charges in the future for the amount to be charged for VAT.	The amounts receivable should be accounted correctly through a VAT control account.

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| (d) | The allocation of under-provisions for the stamp duty received for the year 2021 had been over-provisioned by Rs.11,411,957. | The total stamp duty balance receivable has not been affected since it is an error occurred in recording in the debtor's register. | The accounting should be done correctly. |
| (e) | 1,291 inventory items amounting to Rs.963,681 had been accounted under fixed assets. | The arrangements will be made to include the inventory items in the documents considering the practicality. | The fixed assets should be accounted correctly. |
| (f) | Although the creditor balance according to the financial statements in relation to 07 industries was Rs.2,572,928, it was a sum of Rs.156,764 according to the files. Consequently, the said amount had been accounted in excess by Rs.2,416,164. Also, even if the debtor balance according to the financial statements in relation to 09 industries was Rs.3,106,898, it was a sum of Rs.188,015 according to the files. Consequently, the said amount had been accounted in excess by Rs. 2,918,883. | The creditor balance related to one industry and the debtor balance related to 02 industries have been over-calculated. | The creditor and debtor balances of industries should be accounted correctly. |
| (g) | The expenditure amounting to a total of Rs.4,126,435 relating to the previous year had been accounted as expenditure in the year under review. | The adjustments have been made to the expenditure of the year by mistake, although the adjustments should be done to the accumulated fund. | The expenditures should be accounted correctly. |
| (h) | The provision had not been made under varied creditors for the payable expenses amounting to Rs.241,460 | The arrangements will be made to account by the financial statements of the year 2024. | The provisions should be made correctly for the expenditure payable. |
| (i) | Since the amount of Rs. 306,156 received for the excess electricity produced by the solar panel was debited to the debtor's account, the income had been less accounted by that amount. | Although the receipts should be credited to the head, it has been credited to the debtors. | The incomes of the year under review should be accounted correctly. |
| (j) | A sum of Rs. 48,734,760 payable to the local government fund on behalf of the retired officers served in the Council had not been accounted. | The actions will be taken to make payments after verifying the documents from October 2018. | The balances payable should be accounted correctly. |

1.6.2 Non-reconciled Control Accounts or Reports

Audit Observation	Comment of the Council	Recommendation
There was a difference of Rs.18,344,893 between the balances of 13 account subjects shown in the financial statements and the balances shown in the related schedules/subsidiary documents.	The actions will be taken to correct.	The disparities of relevant balances should be compared and the accounts should be corrected.

1.6.3 Absence of written evidences for audit

Audit Observation	Comment of the Council	Recommendation
11 account subjects amounting to a total of Rs.223,408,858 could not be examined satisfactorily due to the non-submission of required information.	The actions will be taken to correct.	The evidences that verify the account shown in the financial statements should be presented.

1.7 Non-compliance

1.7.1 Non-compliance with Laws, Rules and Regulations

Reference to Laws, Rules and Regulations	Non-compliance	Comment of the Council	Recommendation
Financial Regulations of the Democratic Socialist Republic of Sri Lanka.			
F.R.571	809 deposit balances having a total value of Rs.5,268,198 which exceeded 02 years as at the end of the year under review had not been settled.	The actions will be taken to settle in future.	The proceedings should be made as per the financial regulations.

2. Financial Review

2.1 Financial Results

According to the financial statements submitted, the income exceeding the recurrent expenditure of the Council for the year ended 31 December 2023 was Rs. 143,093,918 and the corresponding recurrent income exceeding the recurrent expenditure of the previous year was Rs. 162,479,763.

2.2 Revenue Administration

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

Source of Revenue	2023				2022			
	Estimated Revenue	Revenue Billed	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Arrears as at 31 December
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Rates and Taxes	36,775,793	43,920,938	49,573,197	61,391,920	36,726,576	42,135,018	36,096,681	67,044,179
Rentals	30,939,750	37,538,384	43,587,093	84,530,685	28,469,950	29,152,465	13,395,072	90,579,394
License fee	23,250,000	32,849,221	32,221,121	12,419,057	25,241,000	23,045,801	36,629,472	11,790,957
Other income	171,660,800	181,702,095	189,212,113	26,587,323	66,224,500	91,570,343	67,246,462	34,097,341
Total	262,626,343	296,010,638	314,593,524	184,928,985	156,662,026	185,903,627	153,367,687	203,511,871

2.2.2 Performance in Collecting Revenue

	Audit Observation	Comment of the Council	Recommendation
(a)	The outstanding assessment tax balance as at the beginning of the year under review was Rs.64,208,469, and a sum of Rs.98,304,365 was to be recovered with billings amounting to Rs.34,095,896 during the year regarding 34,549 assessment units. As the total receipts during the year was Rs.36,912,445, an outstanding balance of Rs.61,391,920 remained at the end of the year.	The actions will be taken to collect the assessment tax arrears informing the concerned parties in writing.	The overdue income should be collected immediately.
(b)	A commission of Rs.1,955,196 had been paid to 10 officers during the period from 2018 to last year for the collection of assessment tax arrears. As the responsible officers of the council did not take actions to collect the assessment tax billed annually, the overdue assessment tax income added to the annual overdue income has increased, and the said deficit had increased between 1 percent and 5 percent yearly with respect to the period from 2018 to last year.	The collection of income has been done with proper supervision. Accordingly, it has been able to recover the overdue income and to achieve a progress thereof.	The overdue income should be collected immediately.
(c)	591 of the 639 shop rooms owned by the council had been given on lease and the shop rents of Rs.61,597,767 was to be collected from 358 lessees by the end of the year under review.	No comment has been made.	The overdue income should be collected immediately.

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| (d) | A one-off amounts worth Rs. 3,091,000 to be collected in terms of leasing 04 shop rooms and shop rooms related to 03 stalls belonging to Hunukotuwa new shopping complex respectively had not been collected as per the paragraphs 04 and 05 of the Circular No. ද.ප.පා/ප.පා.කො/2010/01 dated 27 December 2010 of the Local Government Commissioner of Southern Province, and the lease agreements had not been entered into with the lessees with reference to 04 shop rooms and 04 stalls that had been leased in Hunukotuwa Public Market Complex. | One-off amount of Rs.2,631,000 has been charged for 03 shops and 02 stalls and the agreements have been made for 03 shops and 02 stalls. The lessee of one stall has been informed to enter into a contract, the lessee of the remaining stall has been informed to complete the payment of the one-off amount, and the shop room for which the one-off payment was not done has been taken over to the council. | The proceedings should be done as per the provisions of the Circular. |
| (e) | As the shopping complex building of Walgama public market was not designed in such a way that it is visible to the public, the attendance of the public at the market was at a very poor level. Consequently, the Council had to return the deposit money, lump sum amount and monthly shop rent amounting to a total of Rs. Rs. 2,858,410 paid by 13 traders; who had obtained shop rooms and stalls, to the lessees. | Owing to the closure of shops due to failure of plan, the shop rents and lump sums billed for the period of closure were paid back. | A systematic program should be implemented to generate income from the properties owned by the Council. |
| (f) | An income of Rs.2,037,602 from 61 billboards displayed by island wide companies and 164 shops and business establishments; which had not been identified in the annual survey, had not been collected. | No comment has been made. | Overdue income should be collected immediately. |
| (g) | Since the square feet of 29 and 30 billboards being displayed by the companies and shops and business establishments respectively had not been properly measured, was 29 and 30 square feet respectively, an income of Rs. 532,125 was less billed. Consequently, the said value had not been levied to the Council. | No comment has been made. | Overdue income should be collected immediately. |
| (h) | In respect of the 25-foot long billboard that was unlawfully built near the Uyanwatta football stadium administered by the Matara Municipal Council, the minimum ground rent to be charged as per the consent of the council was Rs.2,500 per long foot on monthly basis. Accordingly, even if the minimum ground rent to be charged from 09 July 2019 to 31 December 2023 was Rs.3,375,000 as the monthly | No comment has been made. | Overdue income should be collected immediately. |

ground rent for 25 square feet at the rate of Rs.2,500 per month is Rs.62,500, only Rs.495,000 had been collected by the Council.

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| (i) | The court fines of Rs.445,101 and a sum of Rs.141,307,932 for the stamp duty were to be received from the Chief Secretary and the other authorities of the Provincial Council. | It is expected that the stamp duty income will be received in installments every month and the court fine amount actually receivable is Rs.195,001. | Overdue income should be collected immediately. |
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3. Operation Review

3.1 Fulfilling the tasks assigned by the Act

The following matters were observed with respect to the execution of duties charged with the Council through Section 04 of the Municipal Council Ordinance, being 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.

Audit Observation	Comment of the Council	Recommendation
(a) In respect of not completing the project of generating electricity from wastes which started on 11 August 2014 by the end of the year under review, no action had been taken against the company entrusted with its construction, and the council had not taken steps to collect a monthly rent for the 5 acres of land assigned for a period of 25 years and to cancel the temporary possession of the land under the condition of non-implementation of the project.	The necessary arrangements are being made to get the intervention of the Central Environmental Authority to construct a compost yard under the financial contribution of Biogreen Cycle (Pvt) Company, and to prepare an action plan with timeframes to complete the construction work and to refer it to the Central Environmental Authority and the Matara Municipal Council, and to issue a letter of demand against the company to recover the financial loss incurred by the Matara Municipal Council due to violation of the conditions.	A systematic and permanent process for waste disposal should be implemented.

- (b) Although a rent of Rs. 57.72 million had been paid from the council fund from May 2018 to the end of the year under review for using the excavator machines and burying the garbage in the soil as a short-term solution to control the environmental and health problems caused by the large garbage pile that is being created, no permanent solution has been provided thereby.
- Although the waste had to be pushed away and covered with soil as the waste yard should be maintained so as not to cause any public distress according to the court order, and since it could not be done using the excavator machine owned by the Council, a PC200 excavator machine was used on a rental basis. As a large amount of money had to be paid for that so far, it was decided to purchase a new excavator machine at a cost of Rs. 22 million. However, as the arrangements are under way to give Kotawila Solid Waste Management Center to another project, there is an uncertainty about the need of purchasing such a machine for the Municipal Council. Also, it is expected to end the service obtained by this machine after a final decision has been made regarding the electricity generation project.
- A systematic and permanent process for waste disposal should be implemented immediately.

3.2 Uneconomic Transactions

Audit Observation	Comment of the Council	Recommendation
A canopy roof had been built at a cost of Rs.360,000 to affect the finishing of the municipal commissioner's official quarters which had been built in a square shape (box type) including the vehicle parking place with a balcony and veranda incurring an expense of Rs.24,952,695.	No comment has been made.	The constructions should be done according to a proper method.

3.3 Management Inefficiencies

Audit Observation	Comment of the Council	Recommendation
(a) Although the Nekfa LGS software; which was installed by the council at a cost of Rs.2,013,976 in the year 2017, had incurred an annual fee of Rs.696,750 from the year 2017 to the last year. The income reports of the mixed income division were not able to be obtained properly by this software and an internal control system restricting the access to this software had also not been established. Further, since the details about deleting data entered into this software from the year 2017 had not been provided to the audit, the money to be received for the council had also not been able to be collected.	The answers are being prepared.	The software should be implemented as appropriate and the details required for the audit should be provided immediately.
(b) Although it is the responsibility of the Chief Accounting Officer/Accounting Officer to provide answers to all audit inquiries within a specified period as per the 38(1)(e) of the National Audit Act No. 19 of 2018, the answers had not been submitted for 09 audit queries and re-inquiries that had been submitted to the Matara Municipal Council from October 2022 to April 2024, there had been delays between 366 and 11 working days even by 20 May 2024.	Agreed with the audit observations.	The proceedings should be done as per the Act.
(c) Information sent to the Matara Municipal Council from September 2023 to February 2024 relating to 6 callings of information in order to fulfil the duties assigned to the Auditor General in accordance with the provisions of Article 154 of the Constitution of the Democratic Socialist Republic of Sri Lanka and the provisions 7 and 8 of the National Audit Act No. 19 of 2018 had not been sent to the audit, and a delayed period between 144 and 43 working days had passed by 20 May 2023.	Agreed with the audit observations.	The proceedings should be made as per the provisions of the Act.
(d) The stamp duty of Rs. 3,422,895 related to the period between 2009 and 2013 and the entertainment tax of Rs.4,599,519 receivable from	The Council has taken every possible measures that can be taken for collecting this balance.	Money receivable to the Council should be collected immediately.

the Local Government Commissioner of Southern Province had not been collected.

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| (e) | The loan amount of Rs.154.194 million given to the Matara Municipal Council by the Asian Development Bank and the overdue interest had not been settled even by the end of the year under review. | The overdue inn rental balance of Rs.9,790,824 to be levied to the Matara Municipal Council from the Urban Development Authority has been substituted for the loan installments and interest amount to be paid by the Council, and the negotiations about the payment of the remaining loan amount are further being carried out. The actions will be taken to account and pay the total loan amount payable subsequent to settling this transaction. | The external liabilities should be settled immediately. |
| (f) | 172 units belonging to 20 items received in the warehouse during the period of the years 2007-2022 remained in the warehouse without being released for a period from 01 year and 16 years and 07 months as of the audit date; 14 September 2023. The value related to 15 items thereof was Rs. 1,782,100 and the value of 5 items had not been submitted to the audit. | The data for the software related to the warehouse stock control process are entered through a computer data system, and it will be possible to avoid these weaknesses in the future by taking the said system into proper working status. | The stock control should be maintained properly. |
| (g) | The tyres and tubes worth Rs. 2,821,200 which had been received to the warehouse during the period 2019-2023 remained in the warehouse even by 15 September of the year under review. | The data for the software related to the warehouse stock control process are entered through a computer data system, and it will be possible to avoid these weaknesses in the future by taking the said system into proper working status. | The purchasing should be done considering about the requirement. |
| (h) | Disaster Intervention ISSUZU vehicle bearing the No. LF-1132 had met with an accident on 28 November 2012, and the reports of the investigation carried out regarding that as per the | The answer is accepted and the relevant details are not in the file. | The actions should be taken as per the Financial Regulation, and the files related to |

Financial Regulations 104(3) and 104(4), the repairing cost related to the estimate of Rs.2,529,829 submitted for repairing the vehicle, the amount reimbursed from the insurance company, and the reports containing the recommendations given by the car inspector and mechanical engineer after the repair had not been submitted to the audit.

the vehicle accident should be maintained in updated manner.

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| (i) | The disaster intervention vehicle used for the fire extinguish activities remains inactive for almost 1 ½ years, and it was observed during the sample audit that the LF-7484 vehicle currently being used for fire extinguish activities is used for other external activities except in cases of disasters such as wind and tsunami based on the needs of some persons. | Since fires do not occur frequently, the use of those vehicles and staff for other activities will be supportive to provide more effective service to the public. | The Extinguish Unit should be maintained actively. |
| (j) | 1,985 liters of fuel worth Rs. 725,688 had been given to 03 vehicles and machinery belonging to the Council during the period from 01 February to 12 September of the year under review. However, no evidence had been submitted to the audit to the effect that the fuel balance was done correctly due to the malfunction of the mileage meter. | The fuel consumption is taken into consideration and an efficiency value is taken and the daily running records are balanced accordingly. | The fuel balancing should be done properly. |
| (k) | The equipment worth Rs.759,550 had been purchased in the year 2017 for the establishment of Kumaratunga Munidasa Public Library and the server computer that had been purchased had stopped functioning by 17 October of the year under review. Consequently, the objectives of the program could not be achieved. | The necessary arrangements will be made to purchase a server rack and a 2kv online UPS machine in the future, and to provide an efficient and effective library service by continuing the activities of library automation project. | The actions should be taken to provide the library service efficiently and effectively by using the modern technology. |

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| (1) | <p>3431 building construction and development permits had been issued from the year 2016 to 30 June of the year under review, and 372 compliance certificates had been issued for that purpose. According to the progress report on providing compliance certificates submitted by the Municipal Council out of the 607 development permits issued in 2016, it was observed that the 503 buildings have not obtained the compliance certificates and it has been unable to issue the compliance certificates for 121 buildings due to the construction in contrast to the approved plan and owing to many other reasons. Consequently, it was observed that the follow-up on whether the buildings have been constructed in accordance with the approved plan after giving the development permits is at a poor level.</p> | <p>The Urban Development Authority has informed that the compliance certificate should be obtained after re-submitting the plans and obtaining the approval thereto since the building plans approved in the year 2016 have exceeded 05 years, and the remaining building application files related to the year 2016 are being perused by the Technical Officers at present.</p> | <p>The arrangements should be made to provide the compliance certificates.</p> |
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3.4 Operation Inefficiencies

	Audit Observation	Comment of the Council	Recommendation
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(a)	<p>The actions had not been taken by the responsible parties to collect a sum of Rs. Rs.335,543 due for the Council in terms of the temporary lease of the land for the "Spicy Street by Mind Spark Food Festival" on the coastal land owned by the Matara Municipal Council.</p>	<p>No comment has been given.</p>	<p>The arrangements should be made to collect the rents due for the Council.</p>
(b)	<p>The actions had not been taken to proceed as per the schedule V of the volume 11 which includes the design and building regulations of the development plan 2010-2030 for the Matara Urban Development Area and to charge a fee of Rs. 564,086 and to formalize or remove 04 constructions that had been done without obtaining a proper development permit</p>	<p>Further proceedings will be done as per the decision of the Planning Committee.</p>	<p>The proceedings should be done as per the provisions of the Development Plan.</p>

- (c) Rs.1,813,450 had been spent for the purchase of 2,235 units of street lamp sets, bulbs and other accessories on 07 occasions for the maintenance of street lights during the period from January to September of the year under review. Although the equipment worth Rs.1,614,100 had been issued to the Electrician and Work Site Administrator, the defects such as not numbering the street lights, not making written record of street light sets, light bulbs and other accessories taken from store for maintenance purposes, not properly maintaining the daily street light maintenance record, not maintaining formal records for reporting complaints related to the maintenance of street lights, not following a formal method of returning the burned-out bulbs to the store, and having the discrepancies in the inspection with the daily street light maintenance schedule and the running records of 02 vehicles bearing the No. 50-4213 and HF-4422 used for the maintenance activities of street light were observed.
- As the numbering of street lamp posts is currently underway, the actions will be taken in the future to obtain the street lamps from the store after being numbered.
- The street light equipment taken from the warehouse for maintenance activities is being documented at present, and the street light daily maintenance register is maintained correctly.
- The street light maintenance activities should be done properly.

3.5 Controversial Transactions

Audit Observation	Comment of the Council	Recommendation
(a) An amount of Rs.920,600 had been paid to an external party in the previous year and the year under review in terms of giving transport facilities required for the officers of the Council to participate in the annual conference of the Provincial Public Management Service Officers' Association outside the provisions of the Establishments Code, Financial Regulations and Circulars.	The proceedings have been done as per the approval given by the Governor of Southern Province.	The proceedings should be done as per the provisions stipulated in the Establishments Code, Financial Regulations and Circulars.
(b) 10 tar barrels of 80/100 180 liter unsuitable for coating on the construction roads and manufacturing premises had been purchased on 11 July 2023 from a private company at a cost of Rs.362,500, and it was further observed that the tar purchased was not of the required quality as the Penetration of that tar was found to be 62 in the laboratory test.	No comment has been made.	The goods in proper standard should be purchased.

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| (c) | Tar, ¼ chip stones and sand worth Rs. 692,823, and 690 liters of kerosene oil worth Rs. 120,820 had been purchased for premix preparation during the period from 01 January 2022 to 13 November of the year under review. The tar had been used beyond the quantity standardized by the Southern Provincial Road Development Authority for using to produce a premix cubic metre, and some materials had been less used and ¼ chip stones had been used instead of ½ chip stones. The Municipal Council did not have the records about the quantities of premix prepared during the period. | No comment has been made. | The materials should be used up to the accepted quantity. |
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3.6 Procurement Management

Audit Observation	Comment of the Council	Recommendation
37 sand cubes had been purchased from a private company at a cost of Rs. 1,019,000 on 24 occasions during the period from 1 January 2022 to 26 June of the year under review, and the defects such as not making approximate estimates about the required quantities of sand, not obtaining quotations securing the confidentiality, not taking actions to obtain wholesale prices and price discounts, paying Rs. 264,800 in excess to purchase 34 cubes of sand at a price higher than the prices of the District Pricing Committee without approval, re-ordering outside of the provisions of the procurement guidelines 2006, not obtaining compliance reports as to be in the standard, non-preparation of Stock Received Note immediately after the receipt of the sand stock and not entering in the bin card form, issuing the purchased sand irregularly and prevailing a shortage of sand stock were observed.	Building Materials Corporation Ltd has been accepted as the sand supplier of the Municipal Council, and the samples taken after ordering the stock of sand are sent to the Provincial Construction Material Testing Laboratory and payment are made after confirming that they are of proper quality, the relevant institution has been informed at the time of quotation that it should be taken back in case of the failure in quality, and the steps have been taken to issue sand to the relevant industries through a register maintained by the Department of Urban Engineering.	Sand of good standard should be purchased and issued according to a proper system.

3.7 Deficiencies in the Contract Administration

Audit Observation	Comment of the Council	Recommendation
(a) A sum of Rs. 23,346,341 had been paid to a contractor in two phases for the construction of the official quarters of the Matara Municipal Commissioner. Also, an additional cost of Rs.1,731,756 had been incurred as the total cost estimate was not prepared correctly, and an additional cost of Rs. 146,824 had been incurred due to not making proper planning and not identifying the needs. Further, an additional amount of Rs. 208,274 due to not using the correct rates and for the works not fulfilled, and a sum of Rs. 2,143,522 had been paid to the contractor from the council fund when the works had not been completed up to the accepted standard.	No comment has been made.	The estimates should be prepared according to a proper plan, the accurate rates should be used and the payments should be made only for the works accomplished.
(b) 55 scopes of works amounting to a value of Rs.6,266,565 included in the total cost estimate of Rs.12,953,254 prepared in the first phase of the construction of the Municipal Commissioner's Official Quarters had been left unfulfilled during the construction of the said quarters despite the provisions stipulated in 4:3:1 and 4:3:2 of the Procurement Guidelines 2006, and it was 48 percent from the total cost estimate of the work value.	No comment has been made.	The proceedings should be done as per the respective provisions of the Procurement Guideline.
(c) Rs. 7,892,682 had been paid for extra work and excess work exceeding the amount of Rs.1,295,325 that had been allocated for the urgent physical uncertain requirements subject to a maximum of 10 percent from the value of the civil works in the construction of the said official quarters in contrast to the provisions of the 4:3:1(c) (ii) of the Procurement Guidelines 2006, and it was 61 percent	No comment has been made.	The proceedings should be done as per the respective provisions of the Procurement Guideline.
(d) Rs. 990,520 had been paid in excess of the approved price rates in the cleaning of canals within the limits of the Municipal Council during the year 2021 and the year under review, and a pontoon had been obtained on rental basis without preparing a formal program and estimate for cleaning the canals and without entering into agreements, and the JCB-8040 Excavator Machine owned by the Council had not	The payments have been made for the quantity of works done using the irrigation rates according to the measurements taken after accomplishing	The proceedings should be done so as to minimize the cost.

been used and an additional cost of Rs. 1,584,710 had been incurred for that. the works, and a large barge should be used to clean the canals using excavators owned by the council, and it is impossible to handle those in the canals.

3.8 Human Resource Management

Audit Observation	Comment of the Council	Recommendation
(a) According to Public Administrative Circular No. 18/2001 dated 22 August 2001, every officer who has served in the same post/same work place for a maximum period of 05 years should be transferred immediately to enable them to serve in other work places. However, it was seen that 13 such officers are working in the council for more than a period of 05 years.	Even if the transfers were applied, the transfers were not received due to the reasons such as the lack of successors, retirement and promotion to super grades, and some persons have received transfer orders in the year 2024.	The proceedings should be done as per the Circular.
(b) The loan balances amounting to Rs.130,847 to be levied from 12 officers retired from the Council and vacated the service remained unrecovered even at the end of the year under review.	04 debtors do not show any response to settle the loan balances, the guarantors of some debtors have retired and the required approvals are being taken to write off the loan balances of 11 debtors amounting to Rs.49,535 confirmed as impossible to be recovered.	The loan balances should be collected immediately.
(c) Although it is stated by the letter No. 87.ඉ. 2 (2019/මා.ම.න.ස./මුදලේ ප්‍ර.144) dated 12 February 2019 that the priority will be given to the contract basis employees serving in the council when the 62 vacancies that have been created for eight junior level posts in the council, it had not been included to the gazette notice of recruitment.	Although the permission was given as per the decision of the council, it was not appropriate to state that "the contract basis employees working in the Matara Municipal Council will be prioritized" and to make a specialty thereby according to the procedure of recruiting junior staff in the local government authorities of the Southern Provincial Public Service. Consequently, such notice was not published in the Gazette.	The actions should be taken as per the decision of the Council.

- (d) Although the residents of the municipality should be given a maximum of 45 marks for 09 years as 05 marks per year when the health workers are recruited by the Council, the defects such as giving marks not considering the residence in the municipality, giving marks for the residence without verifying the residence by the certificates of residence, mismatch of the marks of 06 applicants when comparing the marks given separately by the interview board with the total marks shown in the final results, not initialing the sheet for the revised marks, and giving recommendations of the interview board to recruit the applicants not met the basic qualifications and above 45 years of age to the post were observed.
- The discrepancy between the totality of the marks and the absence of the initials placed in revising the marks have occurred due to a mistake, and any appointee has not been prejudiced thereby. Also, as the 06 applicants from sub-numbers 04, 05, 18, 20, 21 and 29 are serving in the Municipal Council under contract basis, the interview board had recommended to pay attention on them and recruit them subject to the approval of the Governor.
- Only the applicants who have fulfilled the basic qualifications should be recruited.
- (e) A grade III officer of the Technological Service had been appointed on 05 January of the year under review for the post of Work Superintendent which had been vacant since the last year, and a qualified person had not been appointed to the post of Work Superintendent even by the end of the year under review after the retirement of the officer from 04 August of the year under review. Also, it was observed that no proper procedure had been followed in assigning the divisional duties to 04 Technical Officers.
- Subsequent to making requests to the Assistant Commissioner of Local Government to provide a suitable officer of the Technological Service for the relevant post, a Technical Officer (Civil) - Grade I had been appointed to act in the said post for 02 days per week from 12 September 2023 with the approval of the Deputy Chief Secretary (Engineering Services) of Southern Province, and a Grade I officer of the Technological Service (Civil) employed in the Municipal Council has been appointed on full-time basis to the said post from 21 March 2024, and divisional duties have been assigned to the Technical Service Officers according to the population density
- A qualified officer should be appointed quickly for the vacant posts.