

1. Financial Statements

1.1 Disclaimer of Opinion

The audit of the financial statements of the Kurunegala 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 operations, statement of changes in equity, cash flow statement for the year and significant accounting policies and other explanatory information was carried out, for the year then ended, 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 the Provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be reported to Parliament appear in this report.

I do not express an opinion on the accompanying financial statements of the Kurunegala Municipal Council. Because of the significance of the matters discussed in the basis for disclaimer of opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements

1.2. Basis for Disclaimer Opinion

Based on the matters described in Paragraph 1.6 of this report, I do not express an opinion.

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with generally accepted accounting 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 charged with governance are responsible for overseeing the Municipal Council's financial reporting process.

As per 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.

1.4 Audit Scope (Responsibility of the Auditor for the audit of 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 exercised 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 its 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 Municipal Council;
- Whether it has performed according to its powers, functions and duties; and
- Whether the resources 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 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 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 Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Commissioner	Recommendation
(a) The land where the Gallawatta Community Hall is located had been purchased for Rs 8,000,000 in the year 2020 and the value of the land understated by Rs 1,923,698 in the financial statements using a false journal entry in the year under review.	Actions will be taken to correct in the future.	It should be accurately accounted for.
(b) The arrears of other income account as at 31 December of the year under review had been overstated by Rs.500,000 in the financial statements .	Actions will be taken to correct in the future.	- do -
(c) The stock of fertilizer bags valued at Rs 3,752,967 in the Sundarapola garbage yard had not been accounted for .	Actions will be taken to correct in the future.	It should be accurately accounted for.
(d) The number of 111 bags of 25 kg packaged fertilizer remained at the Sundarapola garbage yard amounted to Rs 41,625 as at 31 December of the year under review had not been accounted for under stock.	-do -	- do -
(e) The expenses incurred for 04 projects for the construction of buildings had been over-capitalized by the amount of Rs. 242,760,136 and the value of 05 projects had been under-capitalized by Rs 553,489,428 during the year under review and the previous years.	-do -	-do -
(f) An amount of Rs. 10,915,837 incurred for the construction of buildings in the year 2022 had not been capitalized.	-do -	-do -
(g) The rates received for the next year had been understated for by Rs 755,069 in the year under review.	The rates have been understated in the receivables in advance account and actions have been taken to rectify.	-do-

(h)	Even though the Members' telephone allowance and fuel allowance of Rs.532,562 and Rs.1,176,270 were paid from the fund of the Council in the year under review and the previous year respectively, due to the non-repayment of the amount, the value was shown as the debtors had been overstated and the cash balance had been understated.	Actions will be taken to write off these non-reimbursable allowances.	It should not take actions to apply for non-reimbursable allowances.
(i)	The 23 barrels of tar valued at Rs.799,020 used in the year under review had not been accounted for.	Actions will be taken to correct in the future.	It should be accurately accounted for.
(j)	An amount of Rs 49,500 receivable as at 31 December of the year under review, from the company that built the electricity and telephone transmission tower in the Kurunegala Municipal Council area had not been accounted for.	Actions will be taken to account for by a journal entry.	It should be accurately accounted for.
(k)	The construction of 02 toilets of the wahera stadium and 03 official quarters of the Postal Department which had not been commenced works as at 31 December of the year under review had been capitalized with a budgeted value of Rs 40,000,000.	Even though the project has not been completed, at the time of allocation of the creditor, the income contribution account has been adjusted to the capital investment as well as the asset account according to the method used so far.	The construction should be capitalized after completion.
(l)	Fixed deposit interest income of Rs.1,427,577 had been understated in the year under review.	Actions will be taken to To make accurate adjustments to fixed deposit interest income.	-do-
(m)	The total of the distress loan balances receivable from 18 employees had been understated by Rs 169,343 and the sum of the distress loan balance receivable from 19 employees had been overstated by Rs 249,795 .	Actions will be taken to correct in the future.	-do-
(n)	The amount of Rs 480,175 paid for the purchase of granite (chips) and concrete granite dated 31 January 2024 had not been accounted for as a creditor.	-do-	-do-

- (o) The income receivable for the Actions will be taken To -do- provision of services to the Central revise the accounts as Expressway II project as at 31 appropriate. December of the year under review had been overstated by Rs 248,670 .

1.6.2 Unreconciled Control Accounts

Audit Observation	Comments of the Commissioner	Recommendation
(a) There was a difference of Rs. 209,696,984 between the balance of 06 deposit accounts and the balance shown in the schedule, which totalled Rs. 91,216,058 in the financial statements as at 31 December of the year under review.	The schedules are being settled and actions will be taken to re-check and correct .	Actions should be taken to identify the causes of difference and correct.
(b) There was a difference of Rs.257,639,825 between the balances related to 15 accounting items and the balances shown in the schedules, amounted Rs.677,941,590 in the financial statements as at 31 December of the year under review.	Actions will be taken to correct schedules related to 15 accounting items.	Actions should be taken to identify the causes of difference and correct.
(c) Although the balance of non-current asset accounts and the account balance of income contribution to capital should be the same, the balance of non-current assets as at 31 December of the year under review year was Rs 4,759,033,885 and thus the account balance of income contribution to capital was Rs 4,778,717,488, there was a difference of Rs 19,683,603 .	It has been identified as a difference since 2019 and actions will be taken to check and correct.	Actions should be taken to identify the causes of difference and correct.

1.6.3 Failure to submit Necessary information for audit.

Audit Observation	Comments of the Commissioner	Recommendation
(a) Although the stock value was Rs.90,089,076 as per the financial statement as at 31 December of the year under review, the closing stock value mentioned in the financial statement could not be satisfactorily	The Board of Survey is currently being done and the survey works will be completed very quickly and will be submitted to the audit immediately after completion.	Annual Board of Survey should be carried out before final accounts are prepared.

verified as an annual stock verification was carried out and copies of the report were not submitted to the audit by 17 May 2024 .

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| (b) | Due to non-submission of information, 11 accounting items totalling to Rs 284,533,423 could not be satisfactorily verified in the audit. | Actions will be taken to correct the schedules related to 11 accounting items in the future. | Information confirming account balances should be submitted. |
| (c) | The answers for 10 audit queries submitted in the year under review had not been received even by 31 March 2024 and the value of countable transactions related to those queries was Rs 308,659,531. | Actions will be taken to prepare answers to audit queries and to provide relevant clarifications promptly. | Actions should be taken to consider and answer audit queries as a statutory duty. |

1.7 Non-compliance

Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with Laws, Rules, Regulations and Management Decisions are show below.

Reference to Laws, Rules, Regulations, Management Decisions etc.	Non-compliance	Comments of the Commissioner	Recommendation
(a) Municipal Council Ordinance No. 16 of 1947	Authority 252	Actions had been taken to lease out 11 shops of MC PLAZA owned by the Municipal Council for a long term based on the decision of the Council Meeting without obtaining the prior written approval of the Minister.	The sale/leasing is done by calling the quotations and in case the open quotations are not called, the prior written consent of the minister-in-charge is obtained and the sale or leasing is done formally. Actions should be taken as per above Authority.

- (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka
- (i) Financial Regulation 881(1) Two employees holding the post of watcher and funeral parlour attendant who were appointed to perform the duties related to the post of revenue inspector had not kept securities. Necessary arrangements have been made for keeping the security. -do-
- (ii) Financial Regulation 1645 (d) Although the officer-in-charge of the vehicle has been prescribed the information to be recorded in the daily running chart immediately after completing each journey, according to the audit test check, there was a difference of 2,987 km between the milometer reading of the 11 vehicles owned by the Council and the milometer reading of the vehicle. The drivers have been informed to accurately calculate the milometers in the driving records. Daily running notes should be written as soon as each journey is completed by correcting necessary deficiencies .
- (c) Public Finance Circulars
Circular No.01/2020 dated 28 August 2020 Paragraph 13.2 Actions had not been taken according to the above circular regarding 05 vehicles which were in a state of malfunction and owned by the Municipal Council. I will take immediate actions for disposing of vehicles. It should be done as above. Arrangements should be made as per circular provisions.
- (d) Public Administration Circulars
- (i) Circular No. 01/2002 dated 25 February 2002 Sixty vehicles owned by the Municipal Council had not been printed with State Emblem . Arrangements are being made to print the State Emblem. Actions should be taken to print the name with the State Emblem.

(ii)	Circular No. 30/2016 dated 29 December 2016 Section 3(1)	The fuel combustion of 64 vehicles belonging to the Municipal Council had not been checked.	The fuel combustion test is currently being done.	Actions should be taken in terms of the circular.
(e)	Extraordinary Gazette No. 541(17) dated 20 January 1989 Bye-law on sale of fish in section xxi (1).	There are a large number of illegal fish stalls within the city limits and those shops were trading without obtaining licenses.	Actions will be taken to remove the unauthorized trade stalls trading without any permission	Actions should be taken as per the said by-laws.

2. Financial Review

2.1 Financial Results

As per the financial statements presented, the income exceeding the recurrent expenditure of the Council for the year ended 31 December 2023 was Rs. 144,435,202 and the corresponding income that exceeded the recurrent expenditure of the preceding year was Rs. 12,835,988.

2.2 Financial Control

Audit Observation

Comments of the Council Commissioner

Recommendation

According to the schedule of returned cheques submitted with the financial statement, the balance of Rs 1,312,519 in respect of 26 returned cheques ranging from 03 months to 16 years had not been settled even by the year under review.

Actions are being taken to identify and settle.

Actions should be taken to settle.

2.3 Revenue Administration

2.3.1 Estimated Revenues, Billed Revenues, Collected Revenues and Arrears of Revenues

The details on the estimated income, billed income, collected income and arrears of revenue pertaining to the year under review and the previous year are presented as follows.

Source of Revenue	<u>Year 2023</u>				<u>Year 2022</u>			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total of Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total of Arrears as at 31 December
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Rates and Taxes	494,500	511,538	443,758	334,158	369,500	344,497	355,480	255,777
Rents	116,375	101,548	105,585	10,441	88,824	75,916	72,414	14,584
License Fees	16,402	29,439	29,439	-	15,380	19,489	19,489	-
Other Income	655,365	491,596	501,211	121,571	539,427	423,976	523,956	42,960
Total	1,282,642	1,134,121	1,079,993	466,170	1,013,131	863,878	971,339	313,321

2.3.2 Performance of Revenue Collection

	Audit Observation	Comments of the Commissioner	Recommendation
(a)	The billed income was Rs. 1,134 million and a sum of Rs. 1,079 million had been collected in the year under review, including the arrears related to previous years. A sum of Rs.466 million remained to be recovered at the end of the year under review .	Actions are being taken to recover the arrears promptly.	Actions should be taken to collect billed revenues and arrears.
(b)	Actions had not been taken to recover Rs. 1,325,203 as ground rent from the lands owned by the Municipal Council at the end of the year under review.	Actions will be taken to recover the arrears as per the agreement.	Actions should be taken to recover arrears of revenue.
(c)	The balance of Rs.6,406,639 to be paid by the bidder before 31 December 2022 was not recovered from the highest bidder for MC PLAZA Shop No. D and a blank Memorandum of Understanding had been included in the file without being entered into an agreement.	Actions will be taken to take over the trade stall and the necessary arrangements for re-leasing will duly be carried out.	Actions should be taken to enter into agreements.

(d)	As per the survey conducted from 13 June 2023 to 19 June 2023, it was observed that an average income of Rs. 77,000 is earned. Accordingly, it was confirmed that the current amount of Rs 402,627 being charged per month is insufficient.	Further activities will be implemented after receiving the advice of the Attorney General as asked in this regard.	Actions should be taken to accurately collect revenue.
(e)	Council authorities had not taken actions to recover the amount of Rs.90,546,072 to be collected by 31 September 2022 from 29 central market shops and 10 per cent penalty for late payment or to take over the unpaid shops to the Council and re-tender even by December 2023 .	Unexpectedly, the construction works of the shops could not be completed and there is no legal status to take over the shops until a final decision is taken regarding the recovery of key money and the shops could not be taken over to the Municipal Council because the shops are still not in a condition to be handed over.	Actions should be taken to complete the construction works and to award tenders to earn income.
(f)	The hop rent arrears as at the last date of the year under review was Rs. 8,148,640.	That unpaid trade stalls have been sealed.	Actions should be taken to recover the arrears.
(g)	Actions had not been taken to recover Rs.4,632,469 at the end of the year under review from the Ranthaliya Inn owned by the Municipal Council.	Actions are being taken to recover this arrears.	Actions should be taken to recover the arrears.
(h)	The outstanding balance of the sewerage system as at the last day of the year under review was Rs 148,033,671 .	Actions will be taken to recover the arrears of revenue through future by-laws or other alternative strategies.	Actions should be taken to recover the arrears.
(i)	The outstanding balance of water charges as at the end of the year under review was Rs 101,661,410 .	Actions are being taken to recover this arrears	Actions should be taken to recover the arrears.

2.3.3 Surcharges

Audit Observation	Comments of the Commissioner	Recommendation
According to the provisions of the Municipal Council Ordinance, 02 surcharges valued Rs. 51,361,200 were imposed by the Minister during the year under review. With the surcharges imposed during the previous year, only an amount of Rs 450,000 had been recovered by 31 May 2024.	An amount of Rs.550,000 has been collected so far regarding the surcharge of Rs.1,000,000 and the remaining amount is being collected.	Surcharge values should be recovered.

3. Operational Review

3.1 Performance of Functions assigned by the Act

Audit Observation	Comments of the Commissioner	Recommendation
(a) Delays in Performance of Tasks		
An amount of Rs.540,000 including VAT had been paid to the Sri Lanka Land Development Corporation as an advance on 17 May 2022 for the field inspection related to the revision of the Master Drainage Plan related to the development of Kurunegala city. Accordingly, even though the advances had been given considering the need to finish the work related to revising the drainage plan as soon as possible related to the development of Kurunegala city as per the Council Meeting Agreement No. GC/06/62/2022/04/20/MED/C7 dated 06 May 2022, it had not been fulfilled by even by 31 December of the year under review.	The final plan is to be prepared in consultation with other relevant stakeholders	Advances should be settled as soon as the task is completed.

(b) Solid Waste Management

Audit Observation	Comments of the Commissioner	Recommendation
The Kowshima compost machine valued at Rs. 123 million had been installed in the year 2019 at the Sundarapola waste yard based on the provisions of the Ministry of Provincial Council and of Local Government. Although the capacity of this machine was 50 tons, the maximum capacity was not utilized by applying only about 30 tons of garbage per day.	As around 30 tonnes of biodegradable waste is generated in the city, this machine was installed considering in view future trends.	The machine should be utilized optimum.

3.2 Uneconomic Transactions

Audit Observation	Comments of the Commissioner	Recommendation
(a) The Wilgoda Muthugala land located on Kurunegala Wilgoda Road was purchased for Rs.6,000,000 in the year 2013 and it had	Actions are being taken to find a suitable investor to use this land.	Actions should be taken to make use of without keeping in idle.

remained unutilized and overgrown with weeds even by December of the year under review.

- (b) Sixty computer tabs valued at Rs 2,046,000 had been purchased and distributed to the officers in the year 2022 for the purpose of working under the new software for the field officers and 05 tabs were auctioned by the year under review, and as 06 tabs were inactive those were handed over to the stores and the remaining 49 tabs were held by 47 officers. Accordingly, even though the tab was purchased to work under the new software, it had not been implemented. These tabs were purchased in the year 2020, and other devices needed to run the software could not be imported due to the prevailing conditions in the country at that time. Related activities should be done by obtaining the software.

3.3 Unidentified Losses

Audit Observation	Comments of the Commissioner	Recommendation
Actions had not been to recover the assessed value of 09 laptops valued at Rs. 2,296,997 which were given to the members as at 31 December of the year under review .	Arrangements will be made to inform the members about the assessed value and collect the value of the computers or reclaim the computers.	Actions should be taken to recover the assessed value.

3.4 Management Inefficiencies

Audit Observation	Comments of the Commissioner	Recommendation
(a) The land of rood 01 35 perches of reserved for the public works of Jayantipura area had been used by a private company for its business activities without the permission of the council for a long time.	I will proceed according to the Decision of the Operations and Financial Management Committee held on 08 May 2024 .	Arrangements should be made to take legal actions against unauthorized construction and encroachment.
(b) An employee loan balance of Rs.45,586,008 unidentified for a long period of time had not been settled.	Comments have not been submitted for observations.	Actions should be taken to settle.
(c) A number of 58 festival advance loan balances, 40 special loan balances and 17 calamity loan balances totalling to Rs 1,177,151 in the schedule of employee loans for the year under review had not	Actions will be taken to check and correct.	Documents should be corrected.

been entered in the register of employee loans.

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| (d) | A debt balance of Rs.2,277,451 had to be recovered from 23 officials as as at 31 December of the year under review due to reasons such as retirement, death, transfer and suspension of pay . | Actions will be taken to check and correct. | Actions should be taken to recover loan balances. |
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3.5 Operational Inefficiencies

Audit Observation	Comments of the Commissioner	Recommendation	
(a)	More than 38 per cent of the bulk water purchased from the National Water Supply and Drainage Board by the Kurunegala Municipality for distribution to the customers of the Kurunegala Municipality area had been wasted. Similarly, the equipment that had been purchased at a cost of Rs. 2,264,700 to install bulk water meters to regularize water distribution was still in the warehouse.	The related activity is currently being doneto install bulk water meters together with the Water Supply Board to detect water wastage.	Actions should be taken to reduce water wastage and pass its benefits to consumers.
(b)	Although the contract period of the service contract related to cleaning the Kurunegala MC PLAZZA shopping complex ended on 31 December 2022, a sum of Rs. 1,376,670 had been paid for receiving services from the same contractor for an additional 6 months until 30 June 2023 without extending the time or entering into a new service contract.	Since the Budget for the year 2023 was not passed, tenders could not be called for selecting a new institution, the relevant service was procured from the same institution at the same price.	Actions should be taken

3.6 Transactions of Contentious Nature

Audit Observation	Comments of the Commissioner	Recommendation
The task of cleaning toilets at Kurunegala Bus Stand was given to the previous lessee without an agreement even as at 17 May 2024, which is the audit date , after ending of the contract period. Accordingly, it was a matter of controversy that the extension of the Council Meeting decision by 05 years to 10 years by the Secretary of the Governor without following a tender system.	The Attorney General has been asked regarding the matters that have arisen and after receiving the reply, arrangements will be made to take further actions as per the instructions once answer received.	Actions should be taken as per legal advice .

3.7 Idle or Underutilized Property, Plant and Equipment

	Audit Observation	Comments of the Commissioner	Recommendation
(a)	The Wilgoda Mill Estate land is a land of 14 perches with a very large economic value owned by the Municipal Council and even though it was built for use as a community hall, it had not been used for a long time.	Necessary arrangements will be made to complete the rest of the building and actions will be taken to use the building for the general needs of the area.	Council properties should be utilized.
(b)	Although the PE plumbing equipment ordered in July 2021 by the Engineering Division was purchased in July 2021, five types of water equipment valued Rs.1,187,000 remained in the warehouse even by 31 December of the year under review, without any use.	Those water pipe fittings are being utilized at present, in the water maintenance activities that occur from time to time, and the necessary arrangements are being made to exchange the remaining water pipe fittings with the Water Supply and Drainage Board.	An optimum stock should be maintained in the warehouse.

3.8 Assets Management

	Audit Observation	Comments of the Commissioner	Recommendation
(a)	The Land of nearly 20 perches in extent with common well located on the Wahera Estate land owned by the Municipal Council on the fifth lane of Nishanka Mawathawas being illegally resided by a person without having a lease.	Further decisions are expected to be taken regarding the unauthorized occupants of these lands as per the recommendations of the Committee after receiving the assessment values from the Valuation Department.	Actions should be taken against unauthorized occupants.
(b)	The land of 03 plots of 7.78 perches each in the 05th lane of Nishanka Mawatha owned by the Municipality is being possessed by three people without having a lease for a long time and in the first plot there is a building which was being constructed and the fence was built off side facing the road without obtaining the approval of the Municipality.	Further decisions are expected to be taken regarding the unauthorized occupants of these lands as per the recommendations of the Committee after receiving the assessment values from the Valuation Department.	Actions should be taken against unauthorized occupants.

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| (c) | The land owned by the Municipal Council was divided into 03 parts, which was located on the third lane of Nisshanka Mawatha in the Vahera Watta land owned by the Municipality and there, 02 unfinished buildings were under construction without obtaining the approval of the Municipal Council. Further, this land had also been used for private use for a long time without having a lease and water supply had also been obtained for this purpose. | Further decisions are expected to be taken regarding the unauthorized occupants of these lands as per the recommendations of the Committee after receiving the assessment values from the Valuation Department. | Actions should be taken to control unauthorized construction and unauthorized encroachment. |
| (d) | The ownership of 04 vehicles used by the Council registered in the name of other institutions had not been transferred to the Council. | Necessary actions have been taken to take over. | It should be taken over to the Council. |
| (e) | Although the land of 4.74 perches reserved for the public toilet in front of the Kurunegala Teaching Hospital is a government land, it had not been transferred to the Council. | Necessary actions are being taken to take over to the Municipal Council. | It should be taken over to the Council. |
| (f) | According to the Board of Survey Report related to general and electrical storage, there was a shortage of 59 stock items valued at Rs 1,447,137 and an excess of 27 stock items valued at Rs 173,984 as at 31 December 2022, and on 31 May and 01 June 2023, which were the audited dates, there was a shortage of 46 items valued at Rs 864,102 and an excess of 30 stock items valued at Rs 266,786 . | The Annual Board of Survey 2023 has been completed and actions have been taken to correct the error in the identification of goods in the Board of Survey 2022 . | The causes of deficiencies should be identified and corrected. |

3.9 Deficiencies in Contract Administration

Audit Observation	Comments of the Commissioner	Recommendation
(a) An estimate of Rs. 3,000,000 was prepared for the repair work of the Sundarapola solid waste management centre based on the allocation of the Municipal Council in the year 2021 and a contract of Rs.2,610,983 had been entered into with a contractor and the project works had been abandoned .	Accepted.	Actions should be taken as per the agreement.

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| (b) | It was contracted for Rs 34,054,468 for the construction of an administrative building at the Sundarapola Solid Waste Management Center on the provisions of the State Ministry of Provincial Council and Local Government in the year 2021 and a sum of Rs 10,708,634 had been accounted for as creditors in the year 2022 for the work done for it . | Estimates for the remaining works have been prepared and forwarded to the Ministry of Provincial Councils and Local Government and will be resumed once the allocation is received. | It should procure and find a contractor. |
| (c) | An advance of Rs.1,445,847 paid on 21 May, 2022 for a suspended project had not been recovered even as at 31 December of the year under review. | As per Governor's letter No. NWP/GOV/AD/02/06/13 dated 07.02.2022, these constructions have been suspended. The value of the bill will be deducted from the advance amount and legal actions will be taken in the future to collect the remaining amount. | |
| (d) | Getting approved the allocation of Rs. 9,813,676 under the programme to strengthen local government institutions in the year 2021 and prepare an estimate for it a contract was signed on 09 September, 2021, with the contractor for the construction of the toilet system on the upper floor of the bus station for an amount of Rs. 9,191,808 and this project was supposed to be completed on 09 December 2021. Accordingly, a sum of Rs. 1,838,311 was given as mobilization advance and work of Rs. 1,753,404 had been completed and the contractor had stopped the work whilst construction and did not complete it even by 31 December 2023. | That legal action has been taken to recover the loss incurred. | Actions should be taken to recover the loss through the contractor's revenue records . |

3.10 Human Resources Management

Audit Observation	Comments of the Commissioner	Recommendation
(a) Although there should be 07 Revenue Inspectors in the approved staff of the Municipality , only one officer is working as at 31 December 2023 and without being recruited to that post for a long time, office	Although requests have been made to fill up the vacancies since it has not been filled so far, these long-standing vacancies had to be	Actions should be taken to fill the vacancies.

assistant, driver, labourers, guards and 11 people who were hired on daily basis were covering the duties. filled from other primary grade employees and daily workers.

- (b) According to the Directives given regarding the staff information according to the Paragraph number 1.8 of the Auditor General's note in the meeting of the Committee on Public Accounts held on 09 February 2021, the Committee directed the C.A.O . to "Contact the Ministry of Finance and obtain approval for the necessary recruitment of employees". Nevertheless, on checking the current situation, 71 employees were recruited on daily allowances base even after 09 February 2021 without following the Directives given by the Committee.
- With the aim of providing efficient service without inconveniencing the people, sufficient number of employees have been employed to perform the relevant tasks at the expense of the Municipal Council Fund.
- The Directives of Committee on Public Accounts should be followed in that manner.

3.11 Vehicle System Management

Audit Observation	Comments of the Commissioner	Recommendation
(a) Mileometers of 07 vehicles owned by the Mahanagara Sabha were inactive and had been driven without repairing of them.	The spare parts required for repair will be procured and the said vehicles will be repaired.	Actions should be taken to repair promptly.
(b) The driving duties of the vehicles had been assigned to 23 non-employees who were not the drivers but working in the Municipal Council.	Arrangements have been made to get their services after checking qualifications considering the lack of sufficient drivers and the service requirement.	Actions should be taken to fill the driver posts.
(c) During the Municipal Council's vehicle inspection, it was observed that the revenue licenses of 09 vehicles had expired and 5 vehicles were being driven without obtaining revenue licenses from the year 2021 and 2022 .	The revenue licenses could not be obtained due to send for repair, missing original documents, not in running condition and delay in claiming insurance.	Actions should be taken to get revenue licenses immediately after expiry.
(d) Due actions were not taken to register a lorry , a Bobcat machine (Bobcat) JCB Mini Baco loader which were donated to the	It has not been able to be registered due to the absence of any documents required for registration in the relevant files.	Actions should be taken to take over ownership to the Council.

Municipality for a long time and due to the inability to obtain revenue licenses and insurance certificates, the lorry and machines remained idle without being able to get any service. .

- (e) It was observed that two vehicles sent for repair in the years 2017 and 2018 were parked in outside garages without being repaired even by 31 December 31 of the year under review. The spare parts are not available to complete the repairs and vehicle 64-7609 has been sent to dispose of, by now. Actions should be taken to repair or dispose of.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comments of the Commissioner	Recommendation
Although according to the Annual Action Plan (Sectorial Plan of the Project Sector), the Council should have completed 13 projects, only 04 projects had been completed. A provision of Rs.127,900,000 had been allocated in the Annual Budget for projects that were not completed.	These projects could not be completed due to lack of funds and that actions will be taken to perform the projects included in the Action Plan in the future.	Actions should be taken to conduct the work of the Council in accordance with the Action Plan.