

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Moratuwa Municipal Council for the year ended 31 December 2024 comprising the Statement of Assets and Liabilities as at 31 December 2024, Statement of Comprehensive Income, Statement of changes in Net assets/Equity, 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 the Municipal Council Ordinance (Chapter 252) and Sub-section 10 (1) 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 financial statements give a true and fair view of the financial position of the Moratuwa Municipal Council as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with the Sri Lanka Public Sector Accounting Standards for Local Authorities

1.2 Basis for Qualified Opinion

I expressed qualified opinion regarding the financial statements 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 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 Sri Lanka Public Sector Accounting Standards for Local Authorities 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 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 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 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

1.6.1 Non-compliance with the Sri Lanka Public Sector Accounting Standards for Local Government Institutions

Non-compliance with reference to the relevant standard	Comments of the Council	Recommendation
(a) Although it is stated under Statement of Accounting Policies 2.1 that the financial statements have been prepared in accordance with the Public Sector Accounting Standards for Local Government Institutions, in preparing the financial statements for the year under review, the revaluation and accounting of assets, depreciation of assets and recognition of capital grants received during the year as income had not been carried out in accordance with the standard.	Steps will be taken in the future to account for those revalued assets, to account for depreciation, and to accurately identify, revalue and account for buildings and vehicles.	Actions should be taken according to the standards.
(b) The amount of Rs. 2,454,550 received from the sale of property, plant and equipment was not disclosed as a cash flow from investing activities in the cash flow statement in accordance with paragraph 3.29 of Chapter 3 of the Standard.	It has been noted that such errors may not be occurred in the future.	Actions should be taken according to the standards.

1.6.2 Accounting Deficiencies

Audit Observation	Comments of the Council	Recommendation
Although 3 vehicles costing Rs.4,305,365 and a roller that were not recorded in the fixed assets register were disposed of during the current year, no adjustments had been made for them.	It is stated that action will be taken to correct when preparing the financial statements for the year 2025.	Disposed assets should be accounted for correctly.

1.6.3 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Council	Recommendation
(i) Although the balance of 02 accounting subjects as per the financial statements was Rs.66,035,106, as per the relevant schedules the balance was Rs.62,588,162, resulting in an unreconciled difference of Rs.3,446,944.	It is stated that the employee loan control account, while maintaining the specific un-reconciled difference of Rs. 3,143,089 from the year 2021, will be correctly maintained going forward to reconcile with the schedules, and that an amount has been added as a write-off balance to balance the central market stall rent account.	The reasons for the difference should be investigated and corrected.

1.6.4 Lack of Documentary Evidences for Audit

Audit Observation	Comments of the Council	Recommendation
Due to the failure to submit updated age registers, time analyses, detailed schedules, balance confirmations and physical inventories for audit, 09 accounting items amounting to Rs.91,528,136 could not be satisfactorily vouched and verified during the audit.	04 balances are being settled, 02 balances have been submitted for approval for write-off, and that the schedules for 02 balances cannot be found.	Evidence should be submitted to the audit.

1.7 Non-compliance

1.7.1 Non-compliances with Laws, Rules, Regulations and Management Decisions

Instances of non-compliances with Laws, Rules, Regulations and Management Decisions are shown below.

Reference to Laws, Rules and Regulations etc.	Non-compliance	Comments of the Council	Recommendation
(a) Monetary Regulations of the Democratic Socialist Republic of Sri Lanka	(i) F,R. 104 (4) Although a full report should have been submitted within 3 months of the accident of 07 vehicles owned by the council, this had not been done.	Not answered .	Financial regulations should be followed.

(ii) F.R. 156	The Council had incurred a liability to pay a surcharge of Rs. 1,549,200 due to delays in sending reports and contributions to the Employees' Trust Fund from 2003 to 2015, and no steps had been taken to recover that amount from the responsible parties.	Not answered .	Financial regulations should be followed.
(iii) F.R.156	In accordance with the court order issued on 20 July 2018 in a case filed against the Council, the amount of Rs. 11,602,318 paid by the Council as compensation and legal fees to the complainant had not been recovered from the responsible parties during the year under review.	Not answered .	Financial regulations should be followed.
(iv) F.R. 486 (i)	No amount had been recovered during the year under review from 86 dishonored cheques amount of Rs.491,288 relating to the period 1998 to 2003.	Not answered .	Financial regulations should be followed.
(v) F.R. 1653	The miloimeters of 35 vehicles were not working.	Not answered .	Financial regulations should be followed.
(b) Public Administration Circular No. 22/99 (xxxiii) dated 07 November 2017 and the letter No. GOS/ADM/02/19/02/2018 dated 12 January 2018 of the Secretary to the Governor of the Western Province	Separate transport facilities were provided for administrative officers for transportation purposes.	Not answered .	Action should be taken as per the circular and letter.
(c) Section (iv) of Public Administration Circular No. 09/2009 dated 16 April 2009	Allowances had been paid for attendance at the council's Planning Committee meetings based only on the attendance register, without verification of arrival and departure using a fingerprint machine. Allowances of Rs.125,000 were paid to 5 officers who participated in the committee from April to August 2024 in 50 instances where fingerprint records were not available.	Not answered .	Action should be taken in accordance with the circular.

1.8 Transactions without Authority

Audit Observation	Comments of the Council	Recommendation
(a) A sum of Rs.2,040,522 had been paid for 27 council members, to whom cannot be made from the Municipal Council Fund in accordance with Subsection 188(1) of the Municipal Councils Ordinance (Chapter 252), for an accident and health insurance cover in the years 2015 and 2016, as Rs. 953,715 and Rs. 1,086,807 respectively. However, the amount of Rs.1,703,022 due to the council had not been recovered even by the end of the year under review, nor was it accounted for as a receivable balance.	Not answered.	Action should be taken to recover the balance due to the council.
(b) Although Public Administration Circular No. 05/2013 had stated that an allowance of Rs.4000 should be paid annually with effect from 01 January 2013 in lieu of the uniforms and tailoring fees previously provided to drivers and office staff, contrary to the said circular, it was decided at the monthly council meeting held on 01 September 2022, to provide an amount of Rs. 5000 for the issuance of uniforms to the office staff and Rs. 3,515,000 had been paid in the year 2022 and Rs. 3,390,000 in the year 2023.	Not answered.	Action should be taken as per the circular.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of income over recurrent expenditure of the Council for the year ended 31 December 2024 amounted to Rs.182,652,319 compared to the excess of income over recurrent expenditure amounted to Rs.67,100,827 in the preceding year.

2.2 Revenue Administration

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

According to the information submitted by the Commissioner of the Municipal, Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below

Source of Revenue	Estimated Revenue	Revenue billed	2024		Estimated Revenue	Revenue billed	2023	
			Revenue Collected	Arrears as at 31 December			Revenue Collected	Arrears as at 31 December
'000	Rs.'000	Rs.'0000	Rs.'0000	Rs.'0000	Rs.'0000	Rs.'000	Rs.'000	Rs.'000
Rates and Taxes	214,000	214,534	231,225	290,731	213,520	211,281	142,595	300,320
Rent	18,228	16,032	12,742	3,289	10,090	13,969	11,958	2,011
License Fee	9,000	7,518	7,502	16	9,000	6,861	6,790	71
Other Revenue	1,500	-	8,041	-	1,500	6,087	6,087	-
Total	<u>242,728</u>	<u>238,084</u>	<u>259,510</u>	<u>294,036</u>	<u>234,110</u>	<u>238,198</u>	<u>167,430</u>	<u>302,402</u>

2.2.2 Performance in Collecting Revenue

The following observations are made regarding the revenue collection performance of the Council

Audit Observation	Comments of the Council	Recommendation
Rates and Taxes		
(a) Due to non-collection of rates and taxes in accordance with Sections 252(1)(a) and (b) of the Municipal Council Ordinance, the outstanding rates and taxes balance as at 31 December 2024 was Rs.290,730,807, of which Rs.87,909,603 was due from 318 tax units with an outstanding rates and taxes value exceeding Rs. 50,000.	The arrears of 33 assessment units with a value exceeding Rs. 50,000 and part of the arrears of 64 units have accumulated to a total value of Rs. 15,612,833.	Steps should be taken to recover the arrears of revenue promptly.
(b) Although a sum of Rs.81,186,072 or 27 percent of the outstanding rates and tax balance of Rs.300,320,232 as on 01 January 2024 had been recovered during the year under review, the Council had failed to recover the amount of Rs.219,134,160 or 73 percent.	Measures have been taken to collect rates and taxes through revenue inspectors and property seizure officers, as well as to recover rates and taxes through mobile services.	Steps should be taken to recover the arrears of revenue promptly.
(c) A sum of Rs. 44,636,263 had been receivable as rates and taxes from 245 government institutions as at 31 December 2024, and while the amount due from 10 government institutions with outstanding rates and taxes exceeding Rs. 1,000,000 was Rs. 40,479,202.	Reminder letters have been sent to collect the remaining rates and taxes amounts.	Steps should be taken to recover the arrears of revenue promptly.

- (d) Out of the garbage tax arrears of Rs.62,604,717 due as on 01 January 2024, only Rs.3,817,140 had been recovered during the year under review. The Council had not taken positive steps to recover Rs.7,819,040 which was more than 10 years old and included in the garbage tax revenue of Rs.68,688,457 due for the removal of light garbage in the Council area as on 31 December 2024.
- Not answered.
- Steps should be taken to recover the arrears of revenue promptly.

2.2.3 Rent

- (a) In accordance with Sections 254 (a) 1 and 2 of the Municipal Council Ordinance (Chapter 252), action had not been taken to recover the outstanding balance of Rs. 6,854,837 due as at 31 December 2024 from 145 long-term leased properties.
- Not answered.
- Steps should be taken to recover the arrears of revenue immediately.
- (b) Out of the 282 leasable properties owned by the council, 22 had not been leased.
- Not answered.
- Arrangements should be made to lease the property promptly.
- (c) Action had not been taken to recover arrears of Rs.4,071,724, which was in arrears of more than 10 installments as of 31 December 2024, from 45 long-term leased properties.
- Not answered.
- Steps should be taken to recover the arrears of revenue immediately.
- (d) The outstanding rent from 290 shops as at 31 December of the year under review was Rs.6,854,837. The outstanding rent from 75 shops with outstanding balances of more than 10 months was Rs. 5,564,827.
- The outstanding amount of Rs. 2,248,433, pertaining to 16 shops related to the Central Market court proceedings, cannot be legally recovered until the court proceedings are concluded, and steps will be taken to recover the remaining amount.
- Steps should be taken to recover the arrears of revenue immediately.
- (e) The outstanding shop rent for the Central Market, amounting to Rs.2,299,340, and the outstanding shop rent for the Digarolla Daily Fair Trade Complex as at 01 January 2024 amounting to Rs.1,748,344, had not been recovered during the reviewed year.
- Out of the properties with arrears of more than Rs.100,000 in the Central Market, a case has been filed for Rs.705,660 and arrears of Rs.340,000 is an incorrect billing and the 02 stalls sealed in January 2023 have been billed for the year 2023, and the overbilled amount of Rs.110,000 has been approved
- Steps should be taken to recover the arrears of revenue immediately.

to be removed from the final account of the year 2024.

- (f) Among the shops owned by the council, as at 01 January 2024, 28 shops have been closed due to evictions, sealing, dilapidation and renovations, and the uncollectable rent arrears amounted to Rs.786,903. Tenants have been selected for three shops and it has been decided by the council not to re-lease three other shops but to demolish them, one shop that was previously sealed has been given out on a lease basis and for another shop, no bidders submitted a tender on every occasion it was called, the remaining shops are currently sealed and have been referred to the Municipal Engineer for repair work. Steps should be taken to recover the outstanding revenue by putting the shops into regular use.
- (g) The total outstanding shop rent for the 52 shops at the Digarolla Daily Fair leased by the Municipal Council was Rs.1,329,255 as of December 31, 2024 and no steps had been taken to sign agreements for the shops whose contract period had expired. Furthermore, all the shops on the upper floor of that complex remained closed. Work is underway to update the contracts of shops whose contracts have expired. Efforts should be made to reach agreements and recover arrears of revenue promptly.
- (h) No action was taken even during the reviewed year to recover the total outstanding shop rent income balance of Rs.7,828,293, which has been accumulating from six balances over a long period. Not answered. Steps should be taken to recover the arrears of rent income immediately.

2.3 Surcharges

Audit Observation	Comments of the Council	Recommendation
Surcharges amount of Rs.11,847,678, imposed by the Auditor General against the responsible parties during past years under the provisions of the Municipal Councils Ordinance, was in arrears as at 31 December 2024.	Currently, six officials have been released, eight have passed away, and out of the remaining 22 individuals, none of the them have agreed to pay the surcharged amounts. Steps are being taken to proceed with legal action for the recovery of these amounts	Actions should be taken in accordance with the provisions of the Municipal Council Ordinance.

3. Operational Review

3.1 Identified Losses

Audit Observation	Comments of the Council	Recommendation
The employees assigned to the computer section of the Rates Division, using a common password and fraudulently using the secret password that should have been held by a staff officer on 10 occasions in 2018 had been cancelled bills worth Rs.105,893, thereby committing an assessment tax irregularity. The loss had still not been recovered by the end of the reviewed year.	Not answered.	Investigations should be conducted and the responsible officers should be disciplined.

3.2 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) Although it has been informed by the letter No.LGD/10A/4/स.स./2019 dated 01 February 2021 of the Assistant Commissioner of Local Government, that all fixed assets of the institution should be revalued and accounted for when submitting the financial statements for the year 2020 as per the instructions of the Asset Management Circular No. 4/2018 dated 31 December 2018 of the Ministry of Finance and Mass Media, the Municipal Council had not revalued the fixed assets in the year 2024 either.	Not answered.	Action should be taken in accordance with the circular instructions. Action should be taken in accordance with the circular instructions.
(b) The outstanding fuel balance of Rs.75,000, which was to be recovered from a Member, could not be recovered even during the year under review.	Since the Registrar of Mahara had requested a further extension of the time notified by the court, an extension has been granted until 17.12.2025.	Action should be taken to recover the amount due.
(c) It had not been possible to recover the salaries of Rs. 29,433,064 due for the period from 2019 to 2024.	Not answered.	Steps should be taken to reimburse salaries.

- | | | | |
|-----|--|---|---|
| (d) | The driver of the council, who was at fault for the accident, was ordered to pay Rs.3,001,717 to the injured party in connection with the accident that occurred on 10 August 1999 to a compactor vehicle owned by the council, and the amount was paid from the council fund. Only Rs.112,205 had been recovered from the driver as of 28 February 2019, and by a council decision dated 18 May 2021, the recovery from the driver was stopped effective from March 2019, contrary to the section 2:1 and 2:2 of Volume II of the Establishments Code. Accordingly, action had not been taken to recover Rs.2,889,512 due to the council. | Not answered. | Action should be taken to recover the loss. |
| (e) | An amount of Rs.70,653 had been paid from the council fund as surcharges for electricity bills for the year 2023, but the officers responsible for the delay in paying the electricity bills had not been identified and steps had not been taken to recover that amount. | Due to the absence of personnel at the designated locations for bill submission, the electricity bills, which were subsequently handed over to the main office of Lanka Electricity Private Company, were delayed in transit via post, therefore, payment of electricity bill within the grace period been delayed. | The responsible officials should be identified and steps should be taken to recover the money. |
| (f) | A vehicle received by the Council on 18 March 2022 had not been taken over by the Council by the end of the year under review, and a fire brigade received by the Council on 22 March 2006 had not been registered by 31 December 2024. | Not answered. | Action should be taken to acquire and register. Action should be taken to acquire and register. |
| (g) | The land extent of 0.7063 hectares owned by the council on which the Lunawa rest house was located was transferred to the Urban Housing Development Authority by the President on 06 December 2021 | Not answered. | Measures should be taken to collect rates and taxes and provide the services that should |

without any payment under Section 06 of the Government Lands Ordinance (Chapter 454). Accordingly, the Urban Settlement Development Authority had constructed an apartment complex there, and although the houses had been sold to the public by now, no steps had been taken to assess the rates and taxes of the 175 houses within the city limits, assign numbers and collect the rates and taxes. As a result, the Municipal Council has not provided the services that should have been provided to this urban community, and the Council has also lost a large amount of assessment income that should have been received.

be provided to the urban community.

- | | | | |
|-----|---|---------------|---|
| (h) | Out of the 864 T-shirts purchased from a private company and received by the stores on 03 June 2022, 159 T-shirts remained as per the balance of the stores bin card on 27 December 2024, but the balance of those T-shirts was not indicated in the annual inventory report. | Not answered. | Steps should be taken to prepare annual board of survey reports accurately. |
|-----|---|---------------|---|

3.3 Operational Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) It was observed that the ground floor of the central market belonging to the council, which consists of 3 floors and 89 shops, was flooded during rainy days. Furthermore, the toilets on the ground floor were in a very dilapidated condition, and the toilets were unsafe without doors and windows. Since the two shops belonging to the Buddhist Women's Society and the Moratuwa Government Pensioners' Society on the ground floor have been closed for a long time and the hall on the third floor has been completely closed, the council has lost the income that it could have collected. Furthermore, since there is no systematic system in place to drain the water that collects on	It is proposed to remove this dilapidated building and install a new one.	Action should be taken to repair.

the slab, water-filled water was also observed leaking downwards.

- | | | | |
|-----|--|---|---|
| (b) | The Council had not taken steps to recover from the shop owners the electricity bill value of Rs. 69,959 paid by the Council for 06 Central Market stalls that had been provided on lease basis. | Efforts are being made to recover this amount from the old tenants in the future. | Action should be taken to recover from the lessees. |
|-----|--|---|---|

3.4 Transactions with Contentions Nature.

Audit Observation	Comments of the Council	Recommendation
-------------------	-------------------------	----------------

<p>Although efforts were made to collect stocks for 36 items of recyclable materials for the solid waste management special project initiated in 2021, only 12 items were sold and it was stated that the money received from the sale of tin, sheet metal, iron, aluminum, copper, plastic, coconut shells, electronic waste and beer cans would be used for employee welfare, but a council decision in this regard was not presented for audit. Furthermore, it was not confirmed that the income from the sale of solid waste at the bale yard in 2024 was put to the council's fund, nor was the amount of money allocated for welfare activities from that income, nor the basis for the allocation of that money.</p>	<p>Not answered.</p>	<p>Solid waste should be managed properly.</p>
--	----------------------	--

3.5 Idle/Underutilized Assets

Audit Observation	Comments of the Council	Recommendation
-------------------	-------------------------	----------------

- | | | | |
|-----|--|---------------|--|
| (a) | By the end of the year under review, 12 vehicles had been taken out of service and no steps had been taken to repair or dispose of those vehicles. | Not answered. | Arrangements should be made to repair or dispose of vehicles as appropriate. |
| (b) | The upper floor of the Children's and Maternity Clinic building in the Lakshapathiya area remained idle and no | Not answered. | Efforts should be made to effectively utilize the assets of the council. |

steps had been taken to utilize it for productive purposes.

- | | | | |
|-----|---|---------------|---|
| (c) | The play equipment and benches installed in the De Soysa Kindergarten had not been used by the end of the year under review, and the equipment was falling into disrepair. | Not answered. | The children's garden should be properly maintained for the use of local residents. |
| (d) | The two-storey building housing the North Moratumulla Siri Sasanawansa Memorial Library and the Free Ayurvedic Dispensary, which was constructed in 2002, had not been used for a long time and was falling into disrepair. The two-storey building housing the North Moratumulla Siri Sasanawansa Memorial Library and the Free Ayurvedic Dispensary, which was constructed in 2002, had not been used for a long time and was falling into disrepair. | Not answered. | The related building should be used for productive purposes. |
| (e) | The sports hall building at the Dixon J. Peiris Stadium was in disrepair, and the children's park built next to it was idle. | Not answered. | The sports hall building and children's park should be properly maintained. |
| (f) | The old sports hall building at the Douglas Fernando Stadium was in a very dilapidated condition, while the new sports hall building remained unused. | Not answered. | Action should be taken to utilize the relevant assets. |
| (g) | The Villorawatta Sports Complex building was lying idle and was filled with debris. | Not answered. | Action should be taken to utilize the relevant assets. |
| (h) | The cremator at the Angulana Crematorium had been unusable for several years, and no steps had been taken to repair it. | Not answered. | Action should be taken to either repair or dispose of as appropriate. |
| (i) | The indoor stadium at the Zoysa Stadium had not been used for about 4 years and the building was in a very dilapidated condition. As a result, the lanes could not be used for training purposes, which meant that the service that could have been provided to the people of the area had been lost. | Not answered. | Repair and maintenance work should be carried out promptly and services should be provided to the people of the area. |

3.6 Human Resource Management

Audit Observation	Comments of the Council	Recommendation
(i) 140 employees were deployed in positions other than their regular posts during the year under review.	Not answered.	Arrangements should be made to assign duties to permanent positions.
(ii) 112 employees who were given permanent appointments according to Public Administration Circular No. 25/2014 dated 12 November 2014, had not been included in the Council's approved staff cadre as of 31 December 2024 and an amount of Rs.57,537,369 had been paid as salaries and allowances for these employees during the year under review. Due to the non-inclusion of these employees in the approved staff cadre, it was also not possible to reimburse the salaries.	Not answered.	Arrangements should be taken to include in the approved cadre.
(iii) The outstanding balance of Rs.381,969, which represents the loss incurred due to rates and taxes fraud that has persisted for several years, had been accounted for as a current asset in the financial statements. Although a disciplinary order was issued on 14 February 2011, to recover Rs.241,749 of this loss from the official responsible for the rates and taxes fraud at the time of their retirement, no steps had been taken to recover it even by the end of the reviewed year.	Not answered.	Action should be taken to recover the loss.
(iv) Loan balances of Rs.1,801,654 comprising Rs.61,068 from two officers who were suspended, Rs.715,416 from 46 officers who left the service, and Rs.1,025,170 from 24 retired and deceased officers had not been recovered during the year under review.	Steps will be taken to recover the loan balances of the two suspended officers and employees from their pensions and the guarantor and approval has also been received to write off the loan balances of 30 employees who left employment and 15 officers who died or	Action should be taken to recover outstanding loan balances.

retired, and action will be taken to recover the remaining loan balances.

- | | | | |
|------|--|--|--|
| (v) | No action had been taken to settle the loan balance of Rs.1,505,505, which was due from 103 officers listed in the non-performing loan balance register. | Since approval has been received to write off the loan balances, they will be settled through the final accounts of the year 2025. | Action should be taken to clear outstanding loan balances. |
| (vi) | An amount of Rs.162,725 was to be recovered as no-pay leave from 08 employees who had left the service in the years 2022 and 2023, and the total value to be recovered for no-pay leave as at 31 December 2024 was Rs.1,465,979. | Not answered. | Action should be taken to recover the outstanding balance. |

3.7 Vehicle Fleet Management

Audit Observation	Comments of the Council	Recommendation
(a) 24 vehicles owned by the council had not obtained revenue licenses for the year 2024.	Not answered.	Steps should be taken to obtain revenue licenses.
(b) No written assignment had been made when handing over vehicles belonging to the Municipal Council to the drivers.	Not answered.	When handing over vehicles to drivers, arrangements should be made to hand them over in writing.
(c) The relevant insurance compensation for the vehicle accident that occurred in 2021 had not been obtained by 31 December 2024.	Not answered.	Arrangements should be made to obtain the relevant insurance money.
(d) Arrangements had not been made to take over 08 vehicles used by the Council.	Not answered.	Action should be taken to transfer the vehicles.
(e) 02 tractors that were sent to an external garage in 2022 had not been repaired by 31 December 2024.	Not answered.	Repairs should be carried out urgently.
(f) Information regarding the disposed of vehicle and motorcycle had not been included in Section "D" of the Fixed Assets Register in the year 2024.	Not answered.	Information regarding the disposal should be recorded in the fixed asset register.

4. Accountability and Good Governance

4.1 Presentation of Financial Statements

Audit Observation	Comments of the Council	Recommendation
In accordance with Section 16(2) of the National Audit Act No. 19 of 2018, and as per Order No. 08 relating to the Accounting Affairs concerning the Financial Administration of Western Provincial Municipal Councils, enacted by the Extraordinary Gazette Notification No. 2155/6 dated 24 December 2019, the annual financial statements of the Local Authority should have been submitted to the Auditor General on or before February 28 of the succeeding financial year. However, the financial statements for the year under review were submitted on 10 April 2025.	Not answered.	Financial statements should be submitted on or before the due date.

4.2 Annual Action Plan

Audit Observation	Comments of the Council	Recommendation
Although provisions were allocated for 103 projects in the Annual Action Plan of the Moratuwa Municipal Council for the year 2024, only 31 projects were completed.	Not answered.	Efforts should be made to achieve budgeted targets.

4.3 Budgetary Control

Audit Observation	Comments of the Council	Recommendation
(a) Out of the budgeted allocation of Rs.44,077,500 for 11 expenditure objects, Rs.27,743,701 had not been utilized, while Rs.3,496,218 had been spent in excess of the budgeted allocation for 05 expenditure objects.	The fact that there was no need to purchase school equipment/books, estimates were made based on market fluctuations, and the reduced amount of materials purchased for road maintenance led to savings in budgeted allocations.	The budget should be used as a control tool.
(b) Expenditures for dengue prevention and epidemic prevention were also examined in 11 expenditure objects where no expenditure had been incurred.	The reasons for the non-expenditure were the lack of requests for cemetery repairs and playground maintenance, the lack of a request for staff	The budget should be used as a control tool.

officer fuel and transportation allowances, cost containment, the absence of a dengue and infectious disease epidemic, and the allocation of provisions for firefighter insurance coverage.

- | | | | |
|-----|--|---|--|
| (c) | The total allocation for overtime payments for 7 expenditure objects was Rs.9,234,000, and a sum of Rs.2,953,434 had been spent in excess of the allocation. | Although the estimated allocation amount for only 7 expenditure objects was exceeded, the total expenditure could be covered within the total estimated amount allocated for overtime, and therefore overtime payment was made in excess of the estimate for those expenditure objects based on service requirements. | The budget should be used as a control tool. |
| (d) | Although the council had allocated Rs.9,339,000 in the budget for uniform allowances, the actual expenditure on uniforms was Rs.2,300,191 and therefore, Rs.7,038,809 or 75 percent had been over estimated. | Limiting the salary reimbursement to 80% in the year 2024, recommending the provision of one uniform set according to the management committee report, and that provisions have been made based on those uncertainties when making the estimate since the prices of clothing and shoes are constantly increasing. | The budget should be used as a control tool. |

4.4 Sustainable development Goals

Audit Observation

A sustainable development plan had been prepared only for the period from 2019 to 2023 and no such plan had been prepared for the year under review.

Comments of the Recommendation Council

Not answered.

A plan should be prepared to achieve sustainable development goals.