

**Colombo Municipal Council**

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**Colombo District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2017 had been presented for audit on 02 April 2018 and the report of the Auditor General on the financial statements had been forwarded to the Mayoress on 31 October 2018.

**1.2 Qualified Opinion**

In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements of the Colombo Municipal Council give a true and fair view of the financial position as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Deficiencies**

- (a) The value of investments had been shown as Rs.1,640,047,138 in the financial statements presented. However, it amounted to Rs.1,640,904,857 as per confirmation made by the bank. Accordingly, the value of investments had been understated by Rs.857,719.
- (b) The reimbursement of salaries for the year under review amounting to Rs.2,742,988,306 had been shown as Rs.2,498,238,432 in the financial statements understating the reimbursement of salaries by Rs.244,749,874.
- (c) Payables of Rs.9,546,085 as at end of the year under review had not been shown under sundry creditors.
- (d) The arrears of Rs.5,754,683 due from a private institution for management of parking of vehicles as at 31 December 2017 had not been included in the sundry debtors. Therefore, the debtors had been understated by a similar amount.
- (e) The credit balance totalling Rs.214,076,367 relating to 7960 properties included in the balances of rates as at 31 December 2017 had not been separately shown in the accounts. Instead, this had been adjusted in the balances of arrears of rates (debit). Therefore, the actual balance had not been depicted in the accounts.

### **1.3.2 Unreconciled Accounto**

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A difference of Rs.1,029,825,262 was observed between the balances shown in the financial statements and the related schedules with regard to 49 items of accounts.Explanation for differences had not been furnished to audit.

### **1.3.3 Accounts Receivable and Payable**

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#### **(a) Accounts Receivable**

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- (i) Action had not been taken to settle the balance of Rs.26,112,325 of 24 accounts receivable which continues from prior to 17 years.
- (ii) Action had not been taken to settle the unsettled petty cash and special advance balances of Rs.3,183,108 granted to officers which continues to be included in the financial statements for many years.
- (iii) Debtors' balance receivable by the Council included Rs.395,801,868 relating to 3298 dormant accounts.

#### **(b) Accounts Payable**

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- (i) Action had not been taken to settle the deposits payable amounting to Rs. 99,848,922 which continues for about 17 years.
- (ii) The tax collected under the Inland Revenue Act amounting to Rs.19,722,493 had been shown in the Deposits Payable Account without being remitted to the Commissioner of Inland Revenue.

### **1.3.4 Lack of Necessary Documentary Evidence for Audit**

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Fifty five items of accounts totalling Rs.16,275,106,238 could not be satisfactorily verified/vouched in audit due to non rendition of necessary information.

### **1.3.5 Non-compliance with Laws, Rules, Regulations and Management Decisions**

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Instances of non compliance with laws, rules, regulations and management decisions appear below.

<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Value(Rs.)</b>	<b>Non-compliance</b>
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(a) Municipal Councils Ordinance		
(i) Section 218	-	A detailed report relating to the administration during the financial year had not been furnished .
(ii) Section 247(b)		The Council had been deprived of considerable revenue as a result of not taking action against those who default payment of taxes and due to lack of identifying businesses subject to pay tax.
(b) Establishments Code of the Democratic Socialist Republic of Sri Lanka Chapter xix	-	Action had not been taken to allocate houses according to a serial order after classifying houses and entering the applicants' name in the waiting list.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka		
(i) F.R. 371(6)	3,183,108	Action had not been taken to settle the petty cash imprest during the relevant financial year itself.
(ii) F.R. 395(c)	-	Preparation of bank reconciliation statements of 06 bank accounts had been delayed for 03 to 18 months.
(iii) F.R. 396(d)	20,667,004	Action had not been taken regarding cheques drawn, but not presented for payments for over 06 months.
(iv) F.R, 715 (2)(e)		The stock received/issued to the technical officer of the road marking division at Campbell Park had not been entered in a register.

(v)	F.R,762	3,682,125	Special care should be taken not to maintain stock in excess of the requirement and to maintain necessary stocks. However, expired stocks of Thermoplastic had been heaped at the road signal division stores and at the Suduwella stores.
(vi)	F.R.1653		Milometers of 32 vehicles of 03 district offices were malfunctioning and action had not been taken to repair them.
(d)	Treasury Circular No.842 of 19 December 1978	-	The Council had not followed proper procedures in accounting for fixed assets . According to the computer report (CD) furnished by the Council, a method to identify the institution purchasing the assets and the year of purchase had not been integrated.
(e)	Circular of the Urban Development Authority No.08 of 20 September 1987	733,098,863	Action had not been taken to execute projects identified by the funds of the Urban Development Authority. A difference of Rs.666,397,877 existed between the Urban Development Authority Special Bank Account and the relevant liability account, that is the State Agency Account.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2017 amounted to Rs.1,382,289,817 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.4,042,313,090.

## 2.2 **Financial Control**

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- (a) Action had not been taken to identify and settle the direct credits and erroneous credits of Rs.26,143,590 relating to 03 current accounts.
  
- (b) No action, whatsoever, had been taken in respect of unrealized cheques amounting to Rs.238,605,706 over 01 to 03 years which had been deposited in 02 current accounts.

## 2.3 Revenue Administration

### 2.3.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2017				2016			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	4,184,150,000	3,617,947,176	3,296,218,745	2,866,777,928	3,866,930,000	3,248,676,453	3,188,725,003	2,626,877,427
Rent	312,249,000	209,246,261	188,877,437	840,333,827	305,670,000	176,208,721	141,600,243	674,957,155
Licence Fees	82,730,000	-	77,683,663	-	90,787,000	-	84,636,479	-
Other Revenue	2,018,234,000	-	3,212,916,987	-	2,100,330,000	-	5,043,175,533	-

## 2.3.2 Rates and Taxes

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### (a) Rates

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- (i) Out of the total arrears of rates of Rs.2,829,783,399 as at 31 December 2017, rates amounting to Rs.1,413,867,572 represented arrears over Rs.500,000 relating to 718 properties which represented 50 per cent of the total arrears.
- (ii) The rate payers are entitled for a commission of 10 per cent and 5 per cent according to the gazettee notification No.494 of 19 February 1988 of the Democratic Socialist Republic of Sri Lanka issued by the Minister of Local Government and Housing in terms of provisions in Section 230(4) of the Municipal Councils Ordinance. But, institutions and persons who had not paid arrears of the previous years had been allowed discount for paying the current year's amount. Test checks revealed that discount amounting to Rs.5,717,841 had been allowed for 116 properties contravening the gazettee notification. Allowing discounts to those who pay their rates regularly as well as to those who default payments may cause negative impact on those who pay their rates regularly.
- (iii) Out of the properties which owes arrears of rates and taxes over Rs.500,000, the total arrears of rates and taxes of 203 government properties amounted to Rs.378,624,282. This represented 27 per cent of the arrears of tax over Rs.500,000 and was 13 percent of the total arrears of revenue from rates.
- (iv) It was observed that out of the arrears of rates over Rs.500,000, 527 properties had not paid any arrears, whatsoever, during 2017. The total arrears amounted to Rs.994,669,418.
- (v) The present Information Technology Operating System (AS400) contained the subject matter relating to valuation. However, no action had been taken to update the field.

### (b) Trade Tax and Business Tax

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- (i) A sum of Rs.31,072,020 had been shown as trade and business tax on cash basis in the financial statements of 2017 which included a major portion of the revenue of the previous year. The amount estimated as trade and business tax for the year under review amounted to Rs.66,500,000 of which Rs.12,348,000 only had been recovered during the year. Accordingly, out of the Rs.31,072,020 shown in the accounts, Rs.18,516,000 was not relevant to the year 2017. Out of the total revenue of the year, 18 per cent only had been depicted in the final accounts.

- (ii) The administrative heads had been requested to collect tax of a year during that year itself as per circular No.39/96 of 01 October 1996 of the Department of Local Government, Western Province. However, the Colombo Municipal Council had not acted accordingly with regard to business tax.

**(c) Entertainment Tax**  
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The entertainment tax recovered on behalf of concerts, musical shows and sports competitions within the authoritative area of Colombo Municipal Council during the year 2017 amounted to Rs.96,449,794. Entertainment tax of Rs.27,552,146 had been released with the approval of the Chief Minister of Western Province and the Minister in charge of the subject, Local Government. The money released was 29 per cent.

**2.3.3 Rent**  
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**House Rent**  
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The following matters were observed with regard to 840 houses of 18 housing complexes of the Colombo Municipal Council.

- (i) Common amenities of occupants of these houses, repairs to houses, updating the information of occupants and assessment of houses every 05 years so as to recover adequate rent etc., had not been done by the Council.
- (ii) Very low monthly rent had been charged from these houses with high market value which lies within the limits of the Colombo city.
- (iii) New assessments had been determined by the Finance Committee of 16 July 2013. However, the house rent had been increased by a very low amount such as Rs.5, 10 etc.,
- (iv) The arrears of rent recoverable by the Council from housing complexes as at 31 August 2017 amounted to Rs.3,892,599. Rent has not been recovered from significant number of houses from these housing complexes and necessary action had not been taken in this connection. More than half of these houses owed arrears of monthly rent of over 10 years.

**2.4 Surcharge**  
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A sum of Rs.259,988.38 was recoverable as at 11 June 2018 on behalf of 03 surcharge certificates issued in terms of provisions in the Municipal Councils Ordinance by the Auditor General during the previous years against those who were responsible.



### **3. Operating Review**

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#### **3.1 Performance**

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The following matters were revealed with regard to duties to be fulfilled by the Council in terms of Section 4 of the Municipal Councils Ordinance such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

##### **(a) Bye-Laws**

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Bye-Laws should be enacted under Section 272 of the Municipal Councils Ordinance to fulfil main activities. But, bye-laws had not been enacted for industries, regularization of garbage and administration.

##### **(b) Action Plan**

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The action plan prepared for the year 2017 had not included all the departments.

##### **(c) Non-achievement of the expected outcome**

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Action had not been taken to allow the beneficiaries to occupy the Laundrywaththa elite storied housing Project with extra facilities at Paradise Place, Colombo 12 although 02 years had elapsed after completion of the work.

##### **(d) Delays in carrying out duties**

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A sum of Rs.2,390,035,187 had been spent on 81 construction work which commenced during the year under review and the previous years. But, the work had not been completed even by end of the year under review.

##### **(e) Solid Waste Material Management**

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(i) Six tippers had been obtained on hire on an emergency basis for use at the Solid Waste Material Purification Division for which Rs.94,612,168 had been paid from June 2015 to 31 December 2017. The weakness in procuring this service had been pointed out in the audit report of 2016 and the Special Audit Report relating to the Solid Waste Material Management. However, payments continued to be made for services obtained.

(ii) The urban garbage collected should be used as resources as pointed out in Rule 06 of the Urban Solid Waste Material Management circular No.01 of 2008 of the Western Province. However, the Council had not taken action accordingly. But, had made payments to dispose of, the garbage collected in the

area in some other local authority areas. Accordingly, Rs.292,792,603 had been spent to dispose of 146,717.49 metric tons of garbage during 2017. In addition to these payments made, expenditure had been incurred on disposal of garbage as follows.

	<b>Rs.</b>
To fill with soil	76,532,171
for bulldozers (to compact)	41,738,967
Expenditure on renovating the access road to Kerawalapitiya garbage sector	1,438,550
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	119,709,688
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- (iii) Although the Municipal Council is engaged in collection of garbage, transportation recycling, disposal etc., it had not obtained the Environmental Protection Licence in terms of the Gazette Notification No. 1534/18 dated 21 February 2008.

**(f) Environmental Problems**

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- (i) The Colombo Municipal Council had not furnished to audit the information relating to disposal of electronic waste which extensively effects the environment.
- (ii) The Colombo Municipal Council had disposed of its garbage within the area at the Blomendhal area. As a result, a garbage cliff named “Blomendhal Garbage Cliff” had occurred. Disposal of garbage at Blomendhal had been stopped on a verdict given by the Supreme Court due to continuous protests made by the public. Subsequently, permission had been granted to dispose of the garbage in a 02 acre land at Meethothamulla Pothuwilkumbura Area for a period of 02 years commencing April 2009. Garbage had been disposed of, exceeding the period granted by the Supreme Court, that is for 08 years and as a result the garbage had been spread over an area of 23 acres which ended in a garbage slip on 14 April 2014 causing extensive damages to properties and 32 deaths. The Meethotamulla garbage heap caught fire in January 2018 on 02 occasions.
- (iii) Adequate attention had not been paid to decrease generation of garbage, to introduce a method to reuse the garbage and an intensified and proper programme for recycling. However, even at present the garbage continues to be disposed of in a land belonging to the Sri Lanka Land Reclamation and Development Corporation.

**(g) Sustainable Development Target**  
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The Colombo Municipal Council was unaware of the Sustainable Development Agenda 2030 and had not identified the Sustainable Development Objectives and Targets even by 31 July 2018.

**(h) Public Health Department**  
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A sum of Rs.127,000,000 had been provided for 04 main functions in the Action Plan of the Public Health Department. However, out of this amount 10.3 percent of Rs.13,075,904 only had been spent.

**3.2 Management Inefficiencies**  
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**3.2.1 Unauthorized Constructions**  
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Any building constructed within the limits of Colombo Municipal Council should possess an approved building plan in terms of the Municipal Councils Ordinance. However, 209 complaints had been received regarding unauthorized constructions during 2017. Of these, 111 were complete unauthorized structures and 90 were half unauthorized structures. The Council had only taken action regarding complaints regarding these unauthorized constructions.

**3.2.2 Approval of Plans**  
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- (i) Compliance certificates had not been issued to 82 out of 209 applications, that is, 44 per cent during the year 2017. The Council had not taken legal action against those unauthorized constructions.
- (ii) The Council had approved construction of a building consisting of 08 floors at No.04, Charelemont Road, Colombo 06. The building which was under construction had collapsed on 18 May 2017. Legal action had not been taken against non rendition of insurance coverage certificate before granting approval for the construction.

**3.2.3 Works Division**  
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An estimate for Rs.2,713,581 had been prepared by the works division No.03 of the district office without approval and properly prepared plan for preparing plan, estimates and the necessity for enlarging the space facilities of the official quarters. The construction work had commenced 03 months ahead of the approval granted for the estimates. Further, materials had also been issued for work without estimates.

### 3.2.4 Go Green Colombo –Programme

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A national newspaper advertisement named “Go Green Colombo” had been published on 13 January 2018 by the Planning Division of the Council stating that a workshop would be held bearing the said name. The emblem of the Colombo Municipal Council had been used for the advertisement. This workshop had been organized by a private organization. The official emblem of the Colombo Municipal Council had been used for printing invitation cards, souvenirs and newspaper advertisements. By doing so, the goodwill of the Municipal Council among the public would have got affected.

### 3.2.5 Shortage of stock

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The permanent committee on Finance decided to waive off the stock shortage of Rs.2,102,784 due from an officer at Puhulwella main stores in 2011 for which the approval of the Western Commissioner of Local Government had not been obtained.

### 3.3 Human Resources Management

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(a) The information relating to the approved and actual cadre of the Council appear below.

Grade	Approved cadre	Actual cadre	No. of vacancies	Excess cadre
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Senior	356	234	122	-
Tertiary	190	118	72	-
Secondary	2871	1719	1152	-
Primary	5373	3911	1462	-
Others	-	<u>462</u>	-	<u>462</u>
Total	<u>8790</u>	<u>6444</u>	<u>2808</u>	<u>462</u>

The following matters were observed in this connection.

- (i) Although the post of Security Controller was not in the approved cadre, 06 Security Controllers had been recruited.
- (ii) Although 111 security guards had been recruited for 29 centres, there were 115 persons on duty and as such 04 persons who were not security guards had been engaged on duty.
- (iii) The cadre of the Public Health Department is 776. But, at present there are 437 persons with 339 vacancies.

- (iv) Certificates had not been obtained to show that the entries in the register of attendance or finger print marks had been checked for payment of number of hours of overtime worked by the security personnel.
- (b) Six security controllers and 28 security guards had been assigned for security services at the Town Hall. Two registers had been used for security controllers and the guards to mark their presence for duties. The following deficiencies were observed during the course of examination of these registers.
  - (i) The names of those who were on leave had not been denoted.
  - (ii) Supervision had not been confirmed by a supervisory officer.
  - (iii) Overtime had been paid for days on which the security controllers were on leave.
- (c) A retired officer of the lands branch had been appointed as advisor in July 2011 as a resort of meeting the staff shortage at the lands branch and a monthly allowance of Rs.100,000 had been paid to him.

The following matters were observed in this connection.

- (i) The post of advisor was not in existence in the approved cadre.
- (ii) The advisor had not been specifically assigned with duties by a written agreement.
- (iii) This retired land officer had covered a considerable amount of work of vacancies of land officers at present.
- (d) Ninety seven out of 140 approved posts in the Town Planning Division were vacant and there were vacancies for the posts of 49 technical officers (Civil). These vacancies had created a backlog in the efficiency of those divisions.
- (e) Action had not been taken to recover the loan balances of Rs.38,068,453 due from employees for many years.

### **3.4 Assets Management**

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#### **3.4.1 Idle and Under Utilized Assets**

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##### **(a) The machine examining the structure of a tree (Tree Scanner)**

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- (i) The tree scanner purchased by the Land and Environmental Development division for Rs.7.4 million in 2015 to check the status of trunks and roots of trees of the city over 100 years remained idle at the Viharamaha Devi Park office even by 13 July 2018. Lack of arborists in the Council to analyse and make decisions on the data obtained from this scanner had caused it to idle.

- (ii) One of the objectives of purchasing this machine was to identify old trees in the city of Colombo. However, this machine had not been used for examining the structures of tree. Instances had been observed where trees had fallen blocking the main roads. This machine had not been utilized to identify the trees that faces risk.

(b) **Vehicles of the Home for the Aged**  
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- (i) Two vans of the Home for the Aged continued to corrode without usage for over 05 years and 01 year respectively and action had not been taken to dispose of them.
- (ii) An ambulance had been purchased for Rs.7,464,500 on 05 June 2017 considered to be fit for departmental usage after publishing newspaper advertisements 3 times from 2015 to 2017. However, it was observed in audit that the home for the aged uses another ambulance at present.

**3.4.2 Immovable Assets of the Council**  
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- (a) The Council had not maintained a register for its immovable assets. According to the information furnished to audit, the Council owns 151 properties of 430 acres. The Council had not in possession of necessary information to confirm whether the extent of land at the time of acquiring these properties still prevails.
- (b) Unauthorized settlers had encroached 32 acres, 01 rood and 01 perch of 13 properties and made constructions in those places. The Council had not made any security arrangements, whatsoever, for the existence of these properties after the acquirement. Unless these properties of extensive value are not safeguarded by surveying the land, the problem of encroachment by unauthorized settlers may arise again.
- (c) Out of the properties of the Council, the surveying activities of 18 properties had not been carried out, according to the information furnished by the Council.
- (d) Fifty perches of the Eli House land at Modera belonging to the Colombo Municipal Council had been given on lease to the Semata Sarana Institution in July 1992. It was observed that the Semata Sarana Institution uses the rest of the 60 perches of land for its activities in an unauthorized manner. An unauthorized structure had been constructed there and no action, whatsoever, had been taken in this connection.

**3.4.3 Expired Stocks**  
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Expired thermoplastic valued at Rs.3,685,125 and weighing 22,975 kilograms had been lying in the stores of which 10,000 kilograms had already been expired at the time of purchase during 2016.

#### **3.4.4 Vehicle Utilization**

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The following matters were observed regarding the usage of vehicles at the sewage division, garbage management division and the works division of District Office No.03.

- (a) There were instances where daily running charts had not been maintained in Form Specimen General 268. There were instances where the required information had not been entered in the running charts even when they had been maintained.
- (b) Many of the kilometers of vehicles had malfunctioned. As such, the sum of Rs.2,103,175 spent on 22,433 litres of fuel for 08 vehicles of the sewage division during 2017 and the sum of Rs.29,461,632 spent on 353,903 litres of fuel for 23 vehicles of the works division and 45 vehicles of the garbage management division could not be properly confirmed.
- (c) Consumption of fuel had not been entered in the running charts furnished for audit by the sewage division and the difference between the quantity of fuel issued by the fuel stores in 2017 and the monthly issue of fuel report of the head office was 3596 litres.

#### **3.5 Procurement**

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##### **3.5.1 Procurement Plan**

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A procurement plan for all departments of the Council had not been prepared.

##### **3.5.2 Supply and Services**

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- (a) The Council had purchased 15 dojam cars, a kangaroo rider sports machine and a children's train by spending Rs.27,237,359 on 18 April 2018 for the Sathutu Uyana. The following matters were observed in this connection.
  - (i) The kangaroo rider sports machine and the children's train were not upto required specifications.
  - (ii) The kangaroo rider had become inoperative at the time of installation itself and it was revealed that it had been handed over to the Council after being welded. In spite of this, the Council had issued a status certificate and paid the entire amount to the company concerned.
  - (iii) One bench and many seats had broken within a month of installation and handing over of the kangaroo rider sports machine while being used by the public resulting in a dangerous situation.

(b) **Lease of Vehicle**  
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- (i) Tenders had been awarded to 03 institutions for 12 vehicle parks under 10 stages for collection of vehicle park fees and management. While doing so, tender had been awarded to a tenderer who had no reference to vehicle park maintenance in his registered certificate under the nature of business.
- (ii) An institution which forwarded its quotations owed arrears to the Council and another institution had forwarded the security bond with a wrong name and as such the Technical Evaluation Committee had rejected both. Meanwhile, both of these institutions had forwarded identical security bonds. However, action had not been taken to blacklist these institutions for furnishing fictitious information.
- (iii) Adequate time had not been granted while calling for quotations for the vehicle park management under 10 stages. As a result, tenders had again been called for by incurring an additional expenditure of Rs.134,645.

**3.5.3 Contract Administration**  
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**3.5.3.1 Modernization of Wits Wyke Playground**  
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Open tenders had been called for without total cost estimates and the contract for Rs.36 million had been awarded to a contractor belonging to ICTAD 06 with the expectation of completing the work in 240 days. The technical evaluation committee of the Council had mentioned that the contractor with C6 registration was suitable to execute the contract, contravening the guidance of ICTAD and the provisions in the Procurement Procedure. The contract which commenced on 30 September 2014 had not been completed even by 02 October 2017. The period of contract had been extended on many occasions and additional work had been included resulting in inefficiency in awarding contracts, weaknesses in planning projects and lack of supervision etc.,

**3.5.3.2 Construction of a Building Belonging to the Playground and Entertainment Department**  
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A sum of Rs.300 million had been provided in the budget for 2016. Along with the construction of buildings and the modernization, construction of 11 observation centres, 15 community centres, 06 festival halls and the construction of a parapet wall for the Henamulla playground had also been included. The following matters were observed.

- (a) Tenders had not been called for 20 out of 33 of the proposed construction during the year 2016. According to the information furnished to audit 04 constructions were in progress. 05 constructions had not been commenced due to alterations in plans.



- (b) Although the Project Engineer had intimated to audit that the parapet wall of the Henamulla playground had been constructed, an examination of file revealed that the work had been abandoned halfway.
- (c) The following matters were observed regarding the renovations to the Kalyani Gangarama Mawatha Community Centre.
- (i) The feasibility of matters which caused delays had not been confirmed while extending the period of contract. Necessary action had not been taken to continue with the construction activities even by paying the disconnection charges for water and electricity, if needed.
  - (ii) Action should have been taken to recover demurrages at the rate of Rs.3,750 per day in terms of Section 49.1 of the agreement concerned. However, demurrages had not been obtained as the agreed period had been extended by 59 days without confirming feasibility which caused delays.
  - (iii) The Engineer had informed the Chief Internal Auditor on 21 December 2016 that this project had been completed. But, 152 items work valued at Rs.4.7 million had not been attended to, as per agreed estimates.
  - (iv) Although it had been informed that the construction activities had been completed, reports on handing over the work site or work completion certificate had not been furnished. This community centre had not been opened for usage of the public even up to 12 January 2018.
- (d) The contract work for construction of the parapet wall of the Henamulla Playground amounted to Rs.13,782,076. The following matters were observed.
- (i) The contractor had abandoned the construction work in May 2013 which ought to have been completed on 15 July 2013. A sum of Rs.5,084,023 had been paid as at 13 July 2013 to the contractor for the first and second bills before cancellation of the tender. The quantity and the quality of work done had been certified by the Construction Engineer and the Project Engineer before making payments.
  - (ii) The contractor had violated the conditions in terms of the General Council Decision No.585 dated 26 November 2013. As such, it had been decided to cancel the tender, to confiscate the performance bond in favour of the Council, not to make any payments as the work done was unsatisfactory, to recover the advances paid, if any, and to avoid awarding contracts to these types of contractors in future. However, there was no confirmation to ascertain that the Council had confiscated the performance bond for Rs.689,104 in its favour.

### 3.5.3.3 Construction and Maintenance of Road Information Signal

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The contract had been awarded to a private institution on 11 September 2010 after evaluating the procurement. The following matters were observed.

- (a) Requirements for technical proposals only had been prepared. The financial proposal furnished by the tenderer who had obtained the highest mark during the course of marking had been accepted by the General Council which met on 28 July 2010. Accordingly, the financial proposals of tenderers had not been evaluated.
- (b) The Council had not prepared an estimate regarding the revenue expected to be obtained by this project. Accordingly, to what extent the financial proposal of the tenderer would favour the institution had not been subjected to evaluation.
- (c) According to the instructions given to the tenderer as per documents calling for tenders, it had been mentioned that this contract was valid for 04 years as per paragraph No.04 and after successful completion of 1525 name boards of roads within 03 years under the bonus project, a further period of extension of 03 years would be granted and after the successful completion of both the projects and after making proper payments, the project would be extended for a maximum period of 8 years. However, according to the specifications of the institution engaged in the construction, the Council had decided to execute both the projects for 8 years simultaneously.
- (d) The details of places where the new 10 grant boards would be constructed had not been included in the agreement whereas the places where the expected 10 new grant boards would be constructed had been shown in Annexure 11 of the documents calling for tenders. The firm of contractors had furnished the details of places where the new 10 new grant boards would be constructed on 04 August 2011. These were checked with the centres shown in the documents calling for tenders and it was found 07 grant boards had been constructed in places which had not been expected by the Council.
- (e) The following were instances where action had not been taken according to the agreement No.3737 entered into with the said company.
  - (i) The Deputy Municipal Commissioner (Engineering Services) had not approved in writing the Art Work of the trade advertisements exhibited in each grant boards, as required by Paragraph 11 of the agreement.
  - (ii) The Deputy Municipal Commissioner (Engineering Services) had not approved in writing all the trade advertisements as per Paragraph 23 of the agreement.
  - (iii) According to paragraph No.14 of the agreement, the contractor should pay the annual trade advertisement charges with effect from the date of

exhibiting trade advertisements on street name boards. However, the charges to be recovered and the manner in which it should be recovered had not been described in the agreement.

- (iv) The Council should have recovered Rs.3,609,724 on the basis of charges to be recovered in terms of Sections (C),(D) and (E) of Paragraph No.1 of the agreement, provided the work had been completed on the due dates. However, the Council had recovered Rs.3,066,473 only as ground charges for the period 2013 to 2017. Accordingly, it was observed that the charges recovered were less. Further, the institution had informed the Deputy Municipal Commissioner (Engineering Services) on 07 May 2013 that it had completed 1267 name boards by that date.

#### **3.5.3.4 Reception Hall at 350 Waththa, Madampitiya, Colombo 14**

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- (i) The construction work commenced in 2001 and ended in 2007. This reception hall costing Rs.5,422,854 had been demolished without being used.
- (ii) The contract for constructing a new two storied building in the place where the above building had been demolished in 2015 had been awarded to a private company on 30 January 2015 at Rs.42,880,634. The contract was due to be completed on 27 October 2015. However, a sum of Rs.21,873,945 had been paid to the company by 29 June 2018. The maximum demurrages that could have been recovered was Rs.4,288,063. However, so far Rs.3,838,628 had been recovered as demurrages. Accordingly, demurrages amounting to Rs.449,435 was further due. Out of the advances of Rs.6,807,542, a sum of Rs.4,718,541 had been deducted from the work sheets. But, a further sum of Rs.2,089,000 was due. The work had not been completed even by 30 June 2018.

### **4. Accountably and Good Governance**

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#### **4.1 Budgetary Control**

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- (a) (i) Provision made for 14 items of revenue were less. The actual revenue had exceeded the estimated revenue ranging from 65.75 per cent to a maximum of 754,656 per cent. No revenue had been earned from 13 items of revenue from which revenue amounting to Rs.5,5026.8 million had been estimated.
- (ii) The total revenue estimated from 20 items of revenue amounted to Rs.377 million and the actual revenue amounted to Rs.95 million. Accordingly, the percentage of non recovery was extensive, ranging from 1 per cent to 50 per cent.

**(b) Government Aid**  
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Out of the Rs.190 million expected to be granted by the Central Government under the decentralized provision, 47 per cent only had been received. The Council had no proper plan to achieve its long term objectives. As such, it was observed in audit that this aid which could have been obtained for capital expenditure could not be obtained adequately.

**4.2. Unreplied Audit Queries**  
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The computable value of 14 unreplied audit queries issued in 2017 amounted to Rs.167,521,046.

**5. Systems and Controls**  
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Deficiencies observed during the course of audit were brought to the notice of the Municipal Commissioner from time to time. Special attention is needed in respect of the following areas of control.

<b>System</b> -----	<b>Deficiency</b> -----
(a) Accounting	Registers not properly maintained
(b) Revenue Administration	(i) Lack of correct collection of arrears of revenue. (ii) Assessment of properties not carried out on the due dates.
(c) Stores Control	(i) Goods had not been properly checked and all the stores had not been checked. (ii) Not acting in accordance with the decision of the board of survey. (iii) Proper action not taken regarding idle assets.
(d) Budgetary Control	Feasible and correct estimates had not been prepared.
(e) Solid Waste Material Management	Proper disposal of garbage and recycling of garbage and proper attention not being paid to environmental problems.