

Colombo Municipal Council
Colombo District

1. Financial Statements

1.1. Presentation of Financial Statements

The financial statements for the year 2018 had been presented to audit on 28 March 2018 and the summary report was on 31 May 2019 and the Detailed Management Report of the Auditor General on the financial statement was on 29 July 2019 had been issued to the Council.

1.2. Qualified Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion Section of this report, the financial statements give a true and fair view of the financial position of the Colombo Municipal Council as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3. Basis for Qualified Opinion

1.3.1. Accounting Deficiencies

	<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
(a)	Though the revenue from advertising and billboard should be Rs.23,057,954 as per the receipts, that revenue had been overstated by Rs12,257,565 as it was recorded as Rs.35,315,519 in financial statements.	Revenue as per the receipts should be accounted.	Advertising and billboard revenue as per the computerized information was Rs.35,315,519.
(b)	Though the bank over-draft interest for the year under review should be Rs.50,066,731 that expenditure had been understated by Rs.5,670,085 as it was recorded as Rs.44,396,646 in financial statements.	According to the accounting policies, accounting should be done on accrual basis. Accordingly the transactions and events should be recognized during the period it occurred.	Bank overdraft interest shown in the bank statements would be accounted in following month. Accordingly payment of December 2018 had been accounted in the year 2019.
(c)	Though the members allowances receivable should be Rs.10,325,063 it was overstated by Rs.4,770,000 as it was recorded under debtors as Rs.15,095,063.	Members allowance for the year 2018 was Rs.22,200,063 and a sum of Rs.11,875,000 in the year 2018 and a sum of Rs.10,320.063 in the month of January 2019	Members allowances amount sent for reimbursement with relating to year 2018 was Rs.22,220,063 and the amount received from reimbursement was Rs.7,125,000.00 as at 31 December 2018. Therefore the

had been reimbursed. Accordingly members allowances amount receivable for the year 2018 was Rs.10,325.063.

amount receivable as at 31 December 2018 was Rs.15,095,063.

Accounting should be done on accrual basis as per the accounting policies. Therefore reporting and identifying transactions and events relating to the accounting, should be disclosed in financial statements.

(d) Though the provision for creditors on the loan interest of Asian Development Bank should be Rs.56,085,230 creditor provisions had not been made for the interest of loan numbers 3348 and 3349 from 16 May 2018 to 31 December 2018.

Actions should be taken to rectify the accounts.

The amount shown by the audit as Rs.56,085,230 for the provision for creditors of loan numbers 3348/3349 is correct.

1.3.2. Unreconciled Accounts

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
A difference of Rs. 360,089,515 was observed between the balances shown in the financial statements and the related schedules with regard to 31 items of accounts. Explanation for differences had not been furnished to audit.	Actions should be taken to rectify accounts by reconciling differences of related balances.	Differences had been occurred due to defects in entering into registers.

1.3.3. Accounts Receivable and Payable

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
(a) Action had not been taken to settle the balance of Rs.11,287,600 of 23 accounts receivable which continues from prior to 18 years.	Actions should be taken to recover receivable balances	Remedies are being taken to write off or rectify these balances and would like to inform that actions would be taken to settle by finding details of these balances immediately.
(b) Action had not been taken to settle the unsettled petty cash and special advance balances of Rs. 3,185,604 granted to officers which continues to be included in the financial statements for many years.	Actions should be taken to recover receivable balances	Detail information on these amounts could not be found. That amount had been reduced up to Rs.3,185,604 by now. It was further being examined.
(c) Debtors' balance receivable by the Council included Rs.410,084,815 relating to 3006 dormant accounts.	Actions should be taken to recover receivable balances	Actions are being taken to write off due to inability recover these balances
(d) Action had not been taken to settle the deposits payable amounting to Rs. 99,848,922 which continues for about 18 years.	Actions should be taken to rectify accounts.	This is a balance carried forward prior to the year 2001 and securities of posts subjected to security deposits prior to the year 2001 in Colombo Municipal Council were remain in this account. Settlement could only be done at the time of retirement of those staff.
(e) The tax collected under the Inland Revenue Act amounting to Rs.20,765,810 had been shown in the Deposits Payable Account without being remitted to the Commissioner of Inland Revenue.	Actions should be taken to settle payable balances	Kindly inform that actions will be taken to rectify this situation by performing the instructions through the discussion on the way it rectified with the officers of Inland Revenue Department.

1.3.4. Lack of Necessary Documentary Evidence for Audit

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
Four items of accounts totalling Rs.2,129,338,446 could not be satisfactorily verified/vouched in audit due to non- rendition of necessary information.	Evidences of confirmations for account balances should be presented.	Remedies will be taken.

1.4. Non-compliances

The instances of non-compliance with laws, rules, regulations and management decisions are given below.

<u>Reference to Laws, Rules, Regulations</u>	<u>Audit observation Amount</u>	<u>Non-compliance</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
(a) Municipal Councils Ordinance Section 261	Rs.214,628,002	Land purchasing right of Council on defaulting the rates payments were not implemented.	Land purchasing right of Council should be implemented due to non-payment of rates.	The delay of writing selling certificates was occurred due to the difficulties on finding title deeds of final owner of those properties with respect in recovering arrears rates on defaulting in payment of rates by seizing the properties as per the Municipal Councils Ordinance.
(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.	Actions should be taken to reserve classified official bungalows as per the waiting list.	Actions will be taken to submit answers in future.

(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka (i) F.R. 371(6)	Rs.3,185,604	Action had not been taken to settle the petty cash imprest during the relevant financial year itself.	Actions should be taken to settle petty cash advances during the relevant year.	Unidentified advance balances unsettled as at the end of the year 2001, which the computerized accounting system being implemented, as Rs.3,185,603 and this as a balance carrying forwarded as at to date without settling due to inability to identify.
(ii) F.R. 396 (d)	Rs.11,901,074	Actions had not been taken with regarding cheques issued but not presented for payments over 06 months period.	Actions should be taken to settle the cheques issued but not presented for more than 06 months in terms of financial regulations.	Cheques of Rs.11,901,074 over 06 months as at the date 30 April 2019 were related to 03 payment accounts. Actions will be taken on these cheques in terms of financial regulations.
(iii) F.R. 1646	-	Daily running charts and monthly summaries of division office – 04 had not been presented to audit.	Daily running charts and monthly should be presented to audit.	Actions will be taken to reply in future.
(d) Circular of the Urban Development Authority No.08 of 20 September 1987	Rs.752,787,502	Actions had not been taken implement identified projects from the cash available in the account.	Identified and approved Projects should be implemented.	Many Projects have been planned by now from the cash in Urban Development Authority account, and kindly informed that implementation about to be done by taking proper approvals in that regard.

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 2018 amounted to Rs.2,312,992,879 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs. 1,382,289,817.

2.2 Financial Control

<u>Audit observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
(a) Actions had not been taken to identify and settle direct credits and erroneous credits of Rs. 24,080,596 with relating to 02 current accounts, direct debits and erroneous debits of Rs. 14,760,003 with relating to 5 current accounts.	Actions should be taken to settle by identifying direct credits and erroneous credits as well as direct debits and erroneous debits.	Actions are being taken to settle these direct debits and direct credits by identifying them.
(b) No action, whatsoever, had been taken in respect of unrealized cheques amounting to Rs. 3,061,800 over 01 to 03 years which had been deposited in 04 current accounts	Actions should be taken to clear unrealized cheques.	Responsible parties have been informed with regarding unrealized cheques and kindly informed that further actions are about to be taken on these revenue.

2.3 Revenue Administration

2.3.1 Rates and Taxes

<u>Audit observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
(a) <u>Rates</u>		
(i) Out of the total arrears of rates of Rs.3,203,546,484 as at 31 December 2018, rates amounting to Rs.1,507,225,518 represented arrears over Rs.500,000 relating to 753 properties which represented 47 per cent of the total arrears.	Actions should be taken to recover further receivable arrears rates and to take remedies on further unrecoverable rates in terms of the Ordinance with regarding the 753 properties over Rs.500,000.	Warrants have been given to revenue inspectors to recover arrears and remedial actions are being taken to follow auctioning procedure on properties with further unrecoverable.

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| (ii) | Out of the properties which owes arrears of rates and taxes over Rs.500,000, the total arrears of rates and taxes of 188 Government properties amounted to Rs.527,578,658. This represented 35 per cent of the arrears of tax over Rs.500,000 and was 16 per cent of the total arrears of revenue from rates. | Actions should be taken to recover arrears rates. | Actions are being taken to recover arrears amount and to take remedies to write off. |
| (iii) | It was observed that out of the arrears of rates over Rs.500,000, 483 properties had not paid any arrears, whatsoever, during 2018. The total arrears amounted to Rs.1,062,303,345. | Actions should be taken to recover arrears rates. | Actions are being taken to recover arrears amount and to take remedies to write off. |
| (iv) | The present Information Technology Operating System (AS400) contained the subject matter relating to valuation. However, no action had been taken to update the field. | Valuation subject segment should be updated within the information technology operating system. | Actions are being taken to update valuation activities by linking it with computerized accounting system in future. |
| (v) | Tax payers whose rates amount over Rs. 10,000,000, were 25 and 19 of them had been paid any amount during the year. The total arrears of that rate amount were Rs. 349,501,700. | Actions should be taken to recover rates receivable. | Actions are being taken to recover rates receivable. |

(b) Trade Tax and Business Tax

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| (i) | The amount estimated as trade and business tax for the year under review amounted to Rs.65,000,000 of which Rs.13,295,000 had only been recovered during the year. Accordingly, out of the Rs.34,523,750 shown in the accounts, Rs. 21,228,750 was not relevant to the year 2018. Out of the total revenue of the year, 38 per cent had only been depicted in the final accounts. | Actions should be taken to recover business and trade taxes for the year. | Actions will be taken to increase revenue recoveries in future. |
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(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.	Actions should be taken to collect tax amount efficiently.	Actions will be taken to recover revenue in future.
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(c) **Entertainment Tax**

<p>The entertainment tax recovered on behalf of concerts, musical shows and sports competitions within the authoritative area of Colombo Municipal Council during the year 2018 amounted to Rs.128,911,243. Entertainment tax of Rs.27,571,533 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 21 per cent.</p>	<p>Certificate should be presented to verify the utilization of tax free amount for communal hospitality activities.</p>	<p>Approval of the Chief Minister Western Province had been granted to release a sum of Rs. 27,571,533 from entertainment tax during the year 2018 as per the power entrusted to him.</p>
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2.3.2 **Rent**

<u>Audit observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
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(a) **House Rent**

<p>The arrears of rent recoverable by the Council from housing complexes as at 31 December 2018 amounted to Rs. 10,554,133. 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.</p>	<p>Actions should be taken to recover arrears rent.</p>	<p>Actions had been taken to recover arrears rent.</p>
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(b) Pavement Shop Rent

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| <p>(i) Pavement shop rent receivables to Council as at 31 December 2018 amounted to Rs.431,604,720 and it was included non performing pavement shop rent of Rs.112,243,332. Accordingly 30 per cent of total pavement shop rent is in a doubt in recovery.</p> | <p>Actions should be taken to recover arrears shop rent.</p> | <p>Kindly informed that immediate actions will be taken with regarding these arrears amount by collecting evidences and information.</p> |
| <p>(ii) Though the pavement shop rent billed during the year 2018 was Rs.114,624,141, it was observed that the collection of shop rent were improper and inefficient in revenue division as the pavement shop rent arrears was Rs. 431,604,720.</p> | <p>Actions should be taken to recover arrears pavement shop rent.</p> | <p>Proper actions will be taken to recover pavement shop rent.</p> |

2.4 Surcharge

<u>Audit observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
<p>A sum of Rs.61,135 was recoverable as at 31 January 2019 on behalf of surcharge certificate issued in terms of provisions in the Municipal Councils Ordinance by the Auditor General against those who were responsible.</p>	<p>Actions should be taken to recover further receivables of Rs. 61,135 and the amount.</p>	<p>Actions would be taken to recover.</p>

3 Operating Review

3.1 Performance

<u>Audit observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
<p>(a) <u>By-Laws</u></p> <p>By-Laws should be enacted under Section 272 of the Municipal Councils Ordinance to fulfill main activities. But, by-laws had not been enacted for industries, regularization of garbage and administration.</p>	<p>Actions should be taken to impose by-laws to streamline and control industrial wastes.</p>	<p>Related by-laws were directed to legal division.</p>

(b) Action Plan

The action plan prepared for the year 2018 had not included all the departments.

Action plan should be prepared by the Council by including the activities performed by each department.

Actions are taken to reply in future.

(c) Delays in implementing of activities.

Number of completed projects and the amount paid as at the end of the year under review could not be identified due to non-presenting of an industry register for the year 2018 to the audit.

An industry register should be presented

Actions are taken to reply in future.

(d) Solid Waste Management

(i) 39 percent of Council revenue had been spent for solid waste management. It was a burden to the Council as in failure to convert the collected garbage in to an asset in terms of Section 130 of Municipal Council Ordinance.

Should be abided by the Section 130 of Municipal Council Ordinance

When managing the waste collected in Colombo city, identifying waste as an asset to get its real value, accordingly to direct it to a proper recycling process, promote facilities needed for it, aware public are performed by Colombo Municipal Council since long.

(ii) Though a sum of Rs.130 million had been provided to procure land for solid waste management from the year 2016 to the year 2018, actions had not been taken to achieve those objectives. Collecting and dumping garbage in the area of the authority of the Council is in a controversial situation due to reject the acceptance of solid waste into Kerawalapitiya garbage yard from the month of August 2019.

Short term and long term programs should be prepared by the Council to solve the disputes in dumping solid waste.

Purchase of land for waste management activities no longer is needed to Colombo Municipal Council due to implementation of Waste to Energy project in Kerawalapitiya with the support of Central Government as long term solution.

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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 License in terms of the Gazette Notification No. 1534/18 dated 21 February 2008. | Environmental protection license should be obtained due to performing of collecting and dumping garbage. | The requirement of obtaining an environment protection license was not occurred to collect, transport, recycle and dump as collecting of garbage is the main objective of Colombo Municipal Council in according to the Municipal Council Ordinance and as Colombo Municipal Council is a Government Institute. |
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(e) Environmental Problems

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| (i) | The information relating to disposal of electronic waste which extensively effects the environment had not been presented to audit. | A proper inter related procedure should be implemented with registered institutes for electronic waste collecting. | Though steps were taken by Colombo Municipal Council to implement a procedure for collecting electronic waste, further activities are interrupted due to non-getting reliable final solution for it. |
| (ii) | The garbage had been dumped into the land belonging to Sri Lanka Land Reclamation and Development Corporation without giving adequate attention to decrease generation of garbage, to introduce a method to reuse the garbage and an intensified and proper programme for recycling. | Short term and long term programs should be prepared, implemented and monitored immediately by the Council to solve the disputes in dumping solid waste. | Remedies will be taken to collect solid waste by using modern techniques. |

(f) Sustainable Development Target

The Colombo Municipal Council was unaware of the Sustainable Development Agenda 2030 and had not	Sustainable development objectives and targets should be identified.	Remedies are taken to reply soon.
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identified the Sustainable Development Objectives and Targets even by 31 July 2018.

3.2 Operational Inefficiencies

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
(a) Though newspaper advertisement had been published on 21 June 2017 to acquire properties default after the year 2016, necessary actions had not been implemented even as at 25 February 2019.	Actions should be taken to acquire Properties with rate arrears.	Actions are taken to acquire properties with further defaults after that advertisement and it is also to be needed to gazette such acquisition. Though the amended list had been prepared, it has to be delayed till the new Council to be assigned duties due to commencing of local government election in January 2018. Would inform that, steps are being taken to auction in the year 2019 based on the balances over Rs.500,000 as at 31 December 2017.
(b) A situation had been created that inability to acquire properties due to non-available of sufficient evidences within the Council with relating to 193 properties with arrears payment of Rs.214,628,001 identified to write selling certificates by the Council from 2003 to 2016.	Actions should be taken to acquire properties with rates arrears.	Information with regarding present status and occupied by whom were collected from revenue inspection officers. Title deeds and survey plans of properties on banned due to non-payment of arrears could not be found, and writing of selling certificates were delayed due to non-availability of finding those information.
(c) Gazette notification for properties with arrears rates had been issued in the year	Actions should be taken in terms of directions mentioned in the	Though a gazette notification had not been issued during the year

2014 by the Council after the year of 2007.

Ordinance with regarding arrears rates.

2007 and 2014, warrant license in terms of 252 of the Municipal Council Ordinance had been issued to recover arrears rates. Rates arrears remained in some properties could be recovered due to implementing those warrants.

- (d) Though the land extent of 154.43 perches, situated in the address of assessment number 43 Barnes place Cinnamon garden, had been acquired to Colombo Municipal Council in the year 1974, the right to possession of this land had not been acquired to Municipal Council even as at the month of April 2019.

Actions should be taken to acquire the possession of the land into the Municipal Council.

Magistrate Court case had been filed by the Municipal Council with relating to the order of ejectment and this case had not been heard due to the case hearing in Supreme Court with regarding this property.

3.3 Management Inefficiencies

Audit Observation

Recommendation

Comments of the Accounting Officer

- (a) 596 complaints of unauthorized constructions had been received in the year 2018 and out of them, 141 were complete unauthorized constructions and 214 were partly unauthorized constructions. Actions had been taken by the Council for 74 from the balance unauthorized constructions and the rest 160 unauthorized constructions were not categorized as partly or complete. Council had been attempted only on complaints about unauthorized constructions.

Actions should be taken not only the complaints receiving about unauthorized constructions but also to identify unauthorized constructions by the Council.

Actions were taken to issue reminding letters for construction which were not completed the approval process. Issuing of reminders were started for files registered from the year 2017. Further, follow up process were eased off through computerization of Development warrant process implemented from the month of August 2018.

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| (b) | Approval of Commissioner of Western Province Local Government had not been obtained for the decision taken in standing committee for finance on avoiding the stock shortage recoverable from one responsible officer from the stock loss of Rs.2,102,784 occurred in the year 2011 at Suduwella main stores. | Should be recovered from responsible officers by conducting a disciplinary investigation. | Actions will be taken to reply in future. |
| (c) | No any actions had been taken even as at 09 May 2019 with regarding 06 recommendations mentioned in internal audit report on “GO GREEN COLOMBO” project dated 23 July 2018. | Should implement the recommendations mentioned in the internal audit report. | Actions will be taken to reply in future. |

3.4 Human Resources Management

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
(a) Numbers of vacancies in City Planning Division were 97.	Actions should be taken to fill relevant vacancies.	Secretary to the Ministry had been informed by the Commissioner of Local Government, after directing the request to the Commissioner of Local Government for providing necessities to fill vacancies in city planning division. It was requested to fill the vacancies in the posts of Technical Officer.

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| (b) | 08 vacancies were available in 03 posts of Urban Valuation Department. | Actions should be taken to fill relevant vacancies. | It was informed to the Commissioner of Local Government, for providing necessities to fill vacancies in valuation department and to get approvals in that regard. |
| (c) | 84 vacancies were available in 04 posts of Public Aid Department. | Actions should be taken to fill relevant vacancies. | <p>Appointing officer for the post of relief officer is Provincial Public Service Commission.</p> <p>The appointment for the post of pre-school teacher was given to an internal applicant from the date on 03.09.2018 by calling applications and the results of written exam. 23 external applicants had been given appointments to pre-school teacher posts from the date on 06.04.2019 on the results of written exam and appointment had been given to two persons from the date on 17.06.2019.</p> <p>Internal applications were called for the post of Sewing Instructor and remedies were taken to recruit during coming month.</p> <p>Newspaper advertisements were prepared for external recruitment.</p> <p>Newspaper advertisements were prepared for the recruitment of the attendant post.</p> |

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| (d) It was observed that 99 officers and employees of 04 district offices had been served longer period ranging from 12 years to 39 years in the same place without getting internal transfers. | Transfer policy should be implemented | Transfer policy had been prepared for Colombo Municipal Council and that will be implemented from the year 2020. |
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3.5 Assets Management

3.5.1 Idle and Under Utilized Assets

<u>Audit observation</u>		<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
<u>Type of Assets</u>	<u>Amount Rs.</u>	<u>Period of Idling</u>	
(a) Raw material stock of ½ metal, ¼ metal and dust of 3,500, 1,000 and 1,000 cubes respectively had been maintained idle during the entire year of 2018.			Actions should be taken to purchase raw material efficiently in future should take actions not to maintain excess stock.
(b) Tree structure testing machine	7,400,000	4 ½ years	Reply will be given in future.
(c) 02 vehicles in elderly home	-	Over 05 years	Should take disciplinary actions against the officers responsible and should be utilized.
			The reply for the related audit query WNP ₂ /CB/D/CBD/CMC/2017/16 had been sent to Auditor General on 16 April 2019.
			Two vehicles nos. GD-3083 and 227 – 3013 were used in elderly home and decision was taken to remove from operations due to the regular repairs and huge amount had to be incurred for those repairs.

Activities of disposing these vehicles are being done through Director Engineering (Urban Factory).

(d)	64 houses constructed in laundry premises of Paradise Place at Colombo 12.	200,863,837	Over 3 years.	3	Actions should be taken to hand over these houses to the residents of this housing scheme and to low income earning people with no house.	This housing project consisting with 64 houses had been constructed with the approval of the Council and the Council has the authority to hand over its houses to residents at the time of demolishing the premises and to low income earning families in Colombo city. Accordingly actions are being taken to hand over those houses.
(e)	200 buggy stalls	5,865,000	Over 3 years	3	These stalls should be utilized for effective use.	Buggies were purchased to give same type of pavement hawkers in properly constructed pavement complexes under city development program. However, proposals were made to utilise these buggy stalls in other common markets due to rejecting to take these buggies by sellers.
(f)	Children sports equipment fixed in the premises of Sathutu Uyana by procuring on 18 April 2018.	27,237,359	01 year		Actions should be taken to correct and to utilize.	Reply will be given in future.
(g)	Reception hall constructed at Colombo 14 Madampitiya 350 watta in	48,303,488	11 years		Relevant actions should be taken by conducting an examination with relating to	The contact amount of the new two story building was Rs.38,286,281.00 excluding tax. Accordingly the liquidated damage amount

the year 2007 had been demolished in the year 2015 and though the construction of new two story building in the same place. had been completed in the month of January 2019, the reception hall had not been utilized even as at 30 June 2019.

the officers responsible. Actions should be taken to open the reception hall for public use by sports and development department.

to be collected, was Rs.3,828,628.10 and works of new building were completed by now.

3.5.2 Disconfirmation the Security of Assets

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
(a) The Council had not aware about the parties who presently have the possession of 16 properties with a high market value and proper actions had not been taken with regarding the unauthorized acquisition.	Proper steps should be taken by the Council on unauthorized encroachment.	Reply will be given in future.
(b) 50 perches from Modara Elie House land had been given on rent to Samata Sarana Institute on the month of July 1992 and the balance 60 perches of that land had been utilized by Samata Sarana Institute having unauthorized constructions.	Legal proceedings should be taken by the Council on unauthorized encroachment and unauthorized constructions.	50 perches from Modara Elie House land had been given on rent to Samata Sarana Institute on the month of July 1992 and the balance 60 perches is utilized by that institute without the authority. Steps were taken to present supplementary proposals for the Council with relating to giving the balance potion of the land utilizing by the institute on lease basis

subjected to recover arrears amount from the year 1992.

3.5.3 Expired Stocks
Audit observation

Recommendation

Comments of the Accounting Officer

Expired Thermo plastic 22975 kg of Rs.3,685,125 had been kept in stores and 10000kg from this stocks had been expired at the time of purchasing in the year 2016.

Conduct proper investigation on responsible officers and actions should be taken to recover the loss in terms of Financial Regulations.

Reply will be given in future.

3.6 Vehicle Utilization

Audit Observation

Recommendation

Comments of the Accounting Officer

(a) Though cash allocations had been provided to purchase 02 snorkel vehicles for electrical unit of urban factory from the budget for the year 2017, purchases had not been made even as at 31 December 2018 and a sum of Rs.6,477,641 had been paid for 03 rented out snorkel vehicles in the year 2018.

Attention of higher management should be drawn on neglecting of purchases.

Though the consent had been given to the specifications requested by suppliers at the time of calling for quotations, granting of recommendations by the Technical Evaluation Commute had been delayed due to some differences in the supplied equipment.

(b) Though a sum of Rs.7,324,822 fuel had been given to 44 vehicles and 20nos. equipment in urban factory in the year 2018, running charts/ reports of those vehicles and equipment had not been prepared.

Daily running charts and monthly summaries should be presented to audit as scheduled.

Matters referred in the audit query that, only some vehicles and equipment utilized in urban factory are maintained running charts by the drivers, and some of them are also maintained in improperly; is accepted.

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| (c) Though a sum of Rs.62,459,278 fuel had been issued for vehicles in 13 divisions during the first by annum of the year 2018, running charts of those vehicles had not been presented to audit. | Daily running charts and monthly summaries should be presented to audit as scheduled. | Reply will be given in future. |
| (d) According to the fuel issuing registers, fuel had not been issued for 303 vehicles in 20 divisions during the first by annum of 2018. | Actions should be taken to occupy these vehicles effectively. | Reply will be given in future. |
| (e) 50 vehicles and equipment of premix yard were being opened to natural disasters without utilizing and actions had not been taken to repair or to dispose. | Actions should be taken to repair or to dispose. | Reply will be given in future. |

3.7 Improper Transactions

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
(a) According to the Urban Development Authority Circular No. 08 of 30 September 1987, though cash could be withdrawn, from Urban Development Authority Special Bank Account maintaining on behalf of State Agency Account, only for identified development projects; a sums aggregating Rs.877,355,187 had been withdrawn without identifying such projects.	Should be implemented the identified and approved projects.	Planning Committee income received to the above special bank account had been included in state agency account and other receipts (VAT, other taxes) were again transferred into main payment account. Further, the Council had generated an income by investing the amount idle in the current account.
(b) A sum of Rs.255,669 had been paid, in the audit test check carried out in urban factory, for same 68 days recorded the same arrival and	Real confirmations should be available for evaluation.	Instructions had been given that the movements should compulsorily be recorded not only in weekdays but also in

departure time at the time of payment of holiday pay allowances in accordance with the finger print machine extract of 10 officers.

Saturdays and holidays in the movement register from the year 2019.

- (c) When carrying out a test check in overtime payment of 15 officers in urban factory on December 2018, though the overtime hours as per the fingerprint machine should be 74, the time used for the payment of overtime was 2900. Therefore a sum of Rs.309,104 had been paid for total of 2900 hours including 2826 additional overtime hours not recorded in fingerprint machine.

Real confirmations should be available for evaluation.

According to the internal circular No. කාලේ/වක්‍රලේඛ/20/2015 dated on 29 September 2015 of Municipal Commissioner of Colombo Municipal Council, kindly noted that there is a difference between the overtime hours recording in fingerprint machine and actual over time hours due to the given instructions in terms of paragraph 03 of the Circular in recording arrivals and departures of Field Officers and workers engaging in field works.

3.8 Procurement

Contract Administration

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
<p>(a) It had been entered into an agreement on 09 February 2016 for Rs.37,121,963 excluding VAT to construct a three story office building in premix yard by calling tenders in the year 2015. Though constructions should be completed on 26 October 2016, time extension had been given in 4 instances. The time extensions had been approved in</p>	<p>Time extension should be done on fair reasons and if not actions should be taken in terms of agreements.</p>	<p>Steps are taken to aware the officers to include a note to the relevant file with regarding the all future constructions. The authority of granting time extensions as per the agreement based on the delays in the site is with the Engineer. Council had generated a favorable situation by not allowing to increase the contract</p>

considerably longer period after the date of extension granted. Further time extension had been given on own discretion of Deputy Municipal Commissioner (Engineering Service) and Project Engineer instead of recovering liquidated demurrage and the liquidated demurrages charges lost to the Council was Rs.3,712,196. The period of performance guarantee bond had not been extended with the time extension.

value though the liquidated demurrages were not charged. Instances can be seen that not extending the period of performance bond though the most contractors were informed to extend the period of the performance bond.

(b)

(i) Though a sum of Rs.1,052,000 had been paid on 16 February 2015 to the supplies selected for commissioning a CCTV system in premix yard, it had not been entered into a maintenance agreement for maintenance and repairs.

Actions should be performed as per the Procurement Guideline Manual.

A maintenance agreement had not been signed with that institute due to non-attending for rectification activities informed to them at the time of defect occurred even during the warranty period by this institute. The maintenance activities were done through the Council workers.

(ii) Only 05 from 16 cameras in premix yard had been operated as at the month of November in the year 2018 and 11 cameras had been removed.

Inquiries should be called from responsible officers due to non-utilizing of resources effectively and efficiently.

Only 05 cameras had been operated at the time of audit and 08 cameras had only been removed. The balance 03 cameras had been remained in the positions it placed.

4. Accountability and Good Governance

4.1 Budgetary Control

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
No any income had been generated from estimated amount of Rs. 886,400,000 expected income over Rs.100,000 from 47 revenue votes. It had included 31 revenue votes in waste water division and it was 83 per cent from total amount.	Reliable estimates should be prepared.	The revenue should be generated during the year was nearly estimated and it is difficult to forecast this amount exactly. Though some revenue was included into the budget with the expectation of generating, those income could not be collected due to various difficulties.

4.2 Unreplied Audit Queries

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
Replies had not been received for 12 audit queries issued in the year 2018 for which the amount could be calculated was Rs. 167,521,046.	Actions should be taken to reply for audit queries immediately.	Reply will be forward in future.

4.3 Directions of Local Government Public Accounts Committees

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
Eight directions given in Provincial Public Accounts Committees had not been implemented even as at 31 December 2018.	Directions of Provincial Public Accounts Committees should be implemented.	Not replied.