

**Dehiwala Mount Lavania Municipal Council**

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

**1.1 Presentation of Financial Statements**

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The financial statements for the year 2018 had been presented for audit on 01 April 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Council on 30 May 2019 and 01 August 2019.

**1.2 Qualified Opinion**

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In my opinion, except for the effects of the matters shown under the basis for qualified opinion of this report, the financial statements of the Dehiwala Mount Lavania Municipal Council give a true and fair view of the financial position as at 31 December 2018 and its financial performance for the year ended in accordance with Generally Accepted Accounting Principles.

**1.3 Basis for Qualified Opinion**

**(a) Accounting Deficiencies**

| Audit Observation   | Recommendation             | Comments of the Accounting Officer  |
|---|----------------------------|---|
| (i) According to the register of revenue ,gully bowser sevice income receivable as at 31 December 2018 was Rs. 830,545. But according to the financial statement it was Rs.3,139,738, So the gully bowser debtors have been overstated by Rs.2,309,193 in the financial statements. | Should account accurately. | Wiil be corrected in 2019 Final Accounts.                                   |
| (ii) Rs.56,707,126 had been paid to the Waste Management Authority for the disposal of garbage during the year under review. But the expenditure had been shown as Rs.64,129,940 in the financial statements, resulting the   | Should account accurately. | Accept. Noted to allocate funds accurately for the creditors in the future. |

- expenditure been overstated by Rs. 7,422,814 .
- (iii) Although the receivable value of the provincial grants debtor at the end of the year under review was Rs. 2,309,193, current assets have been understated by Rs.2,309,193 due to not showing a value in financial statements. Should account accurately. This error has occurred due to adding the received Provincial Council grant to the debtor balance. Will be corrected in 2019 Final Accounts.
- (iv) As at 31 December 2018, the reimbursement salary balance was Rs.133,520,842. But as per the financial statements reimbursement salary balance was Rs.151,776,950. So the current assets have been overstated by Rs.18, 256,108. Should account accurately. When accounting reimbursement of salary balance by mistake in year 2017 ,the accounting note had been changed. Will be corrected in the 2019 final accounts.
- (v) Due to making provisions for the creditors in the financial statements, without identifying the parties to be paid and the amount paid not identifying correctly , (Previous years also) Rs.5,439,034 had been debited and Rs.34,306,975 credited to the Accumulated Fund in the year under review. It should identify the parties to whom payment is due and the amount to be paid. Accept. Will be corrected in the 2019 Final Accounts.
- (vi) Rs.2,990,543 paid for the computer software system had not been accounted for under the computer software. Should account correctly. The missed computer software expenditure will be rectified in 2019 accounts.
- (vii) The value of four vehicles received as donations in 2015 and 2012 had not been accounted. Donation assets should be accounted. The value of the four vehicles received as donations in 2012 and 2015 could not be accounted due to unable to trade the value. Will be corrected in 2019 accounts.

**(b) Contingent Liability**

| <b>Audit Observation</b>   | <b>Recommendation</b>                                    | <b>Comments of the Accounting Officer</b>  |
|--|--|--|
| According to a lawsuit filed by the Burns Company relating to the disposal of garbage, the Council had to pay a sum of Rs.20,958,780 and a sum of Rs.300,000 as fees. The case filed against the decision by the Council at the Chamber of commerce was also given as a disadvantage decision to the Council. Further, a cost of Rs.1,506,333 had been incurred at present for the cases which are being heard in the Supreme Court filled by the Council. | It is best to act in a manner that benefits the council. | Rs.1,506,333 has been paid for four cases. The case has not finished yet and the case will be called again on 18 July 2017 to establish the facts. |

**(c) Unreconciled Accounts**

| <b>Audit Observation</b>   | <b>Recommendation</b>  | <b>Comments of the Accounting Officer</b>     |
|--|--|---|
| (i) When reconciling balances relating to 14 items between registers/reports and Financial Statements, it shows understatement of Rs.871,329 and overstatement of Rs.85,277,399 in the financial statements. | Action should be taken to reconcile the differences in the related balances and to correct the accounts. | Will be corrected in the 2019 Final Accounts. |
| (ii) According to the financial statements LLDF creditors' balance was Rs.1,320,538 and according to the ledger accounts balance it was Rs.897,946. So a difference of Rs.422,592 was observed.              | Action should be taken to reconcile the difference in the related balances and to correct the accounts.  | Will be corrected in the 2019 Final Accounts. |

**(d) Account Receivable and Payable**  
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| <b>Audit Observation</b><br>-----   | <b>Recommendation</b><br>-----  | <b>Comments of the Accounting Officer</b><br>-----                     |
|---|---|--|
| <b>Account Receivable</b><br>-----  |   |  |
| (i) From the year 2002 to 2018, twenty cheques valued at Rs.562,786 received as income had been dishonoured. However, action had not been taken to recover those amounts.   | Action should be taken immediately to recover the value of dishonoured cheques. | Action will be taken to recover the money.                             |
| (ii) Action had not been taken to recover the gully bowser revenue of Rs.65,545 from eleven institutions for the period 2008 to 2016.   | Action should be taken immediately to recover the revenue.                      | Action will be taken to recover.                                       |
| (iii) Action had not been taken to get reimbursed the total amount of Rs.2,230,599 for the period of 2006 and 2007 from the Department of Local Government as at 31 December 2018, including the outstanding advance balance of property loan interest of Rs. 121,456 . | Action should be taken to get reimbursed the property loan interest.            | Preliminary action had been taken to reimbursement the balance amount. |
| (iv) Council was unable to recover the amount of Rs.82,425 due from Mr Kline Environmental Institute since 2017 relating to the disposal of garbage from the Ratmalana Special Economic Center.   | Action should be taken immediately to recover the Receivable revenue.           | Steps have been taken to recover the amount in the future.             |

(e) **Lack of Necessary Documentary Evidence for Audit**

| <b>Audit Observation</b>   | <b>Recommendation</b>   | <b>Comments of the Accounting Officer</b>  |
|--|---|--|
| (i) Four items of accounts aggregating Rs.12,618,278 could not be satisfactorily vouched in audit due to non-availability of necessary information.  | Necessary information has to be submitted to verify the balances. | Action will be taken to correct.   |
| (ii) According to the Gazette Extraordinary No. 1846/19 dated 21 January 2014, members can reimburse Rs.6,500 as travelling expenses. However, a sum of Rs.1,794,000 had been paid without details of the traveling expenditures for 46 Council Members, from April to September 2018. | Relevant evidence for payments should be submitted.               | Council members will be informed to use the correct form in the future.  |
| (iii) According to the Convention of the General meeting 08 (02) a.67 of 5 July 2012, telephone allowance could be paid up to a maximum of Rs.6,000 per month. However, a sum of Rs.35,066 has been paid as a monthly allowance to a member without submitting bills.                  | Relevant proof of payments should be submitted.                   | The relevant Member has been asked to submit the Bill in writing. Submit the bill for the audit as soon as it is received. |

**1.4 Non-compliance**

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

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

| <b>Reference to Laws, Rules Regulations and Management Decisions</b> | <b>Non-compliance</b>                          | <b>Recommendation</b>            | <b>Comments of the Accounting Officer</b> |
|--|--|----------------------------------|---|
| (a) Section 218 & 286 of the Municipal Council                       | The administrative report of the Council and a | Should be act in accordance with | The report is being prepared. Will be     |

|  |  |  |  |
|--|--|--|--|
| Ordinance (Chapter 252)  | statement of receipt and payments had not been furnished.  | Section 218 & 286 of the Municipal Council Ordinance (Chapter 252)           | submitted soon   |
| (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka<br>----- |  |  |  |
| (i) F.R. 110   | A register of losses and damages had not been maintained.  | Should be act in accordance with the FR 110                                  | Action will be taken to maintain a register of losses and damages in the future.   |
| (ii) F.R. 188 (2)  | An action had not been taken relating to seven cheques deposited but not realized and two money orders amounted Rs.59,234. | Should be act in accordance with the FR 188 (2)                              | Action will be taken in the future.  |
| (iii) F.R. 571   | Action had not been taken for deposits aggregating Rs.16,525,237 over 2 years.   | Should be act in accordance with the FR 571                                  | Action will be taken to collect the deposit over 2 years.                          |
| (c) Public Administration Circulars<br>-----   |  |  |  |
| Paragraph 3.1 of the Public Administration Circular No. 30/2016 of 29 December 2016  | Fuel consumption of the vehicles of the Council had not been tested.   | The circular No. 30/2016 of 29 December 2016 should be complied with.        | Instructions have been issued to check the fuel consumption of vehicles in future. |
| (d) Treasury Circular<br>-----   |  |  |  |
| Treasury Circular No.IAI/2002/2 of 28 November 2002                                  | A separate register of fixed assets had not been maintained for computers and software.                                    | Should be act in accordance with circular No. IAI/2002/2 of 28 November 2002 | It is informed that in the year 2019 action will be taken to have a separate fixed |

asset register for computers and software in 2019.

**2. Financial Review**  
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**2.1 Financial Results**  
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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.299,585,345 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.341,690,299.

**2.2 Financial Control**  
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| <b>Audit Observation</b><br>-----  | <b>Recommendation</b><br>-----                                       | <b>Comments of the Accounting Officer</b><br>-----  |
|--|--|---|
| Due to not identifying direct deposits when preparation of Bank Reconcilliations there was a continuous negative balance in the cash book. | Direct deposits should be properly identified in the relevant month. | At present when preparing Bank Reconcilations direct credits and debits are identified in the next month and accounted. These errors will be corrected in the future. |

## 2.3 Revenue Administration

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

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

| Source of Revenue | 2018              |                |                   |                                 | 2017              |                |                   |                                 |
|-------------------|-------------------|----------------|-------------------|---------------------------------|-------------------|----------------|-------------------|---------------------------------|
|                   | Estimated Revenue | Billed Revenue | Collected Revenue | Total Arrears as at 31 December | Estimated Revenue | Billed Revenue | Collected Revenue | Total Arrears as at 31 December |
|                   | Rs.<br>'000       | Rs.<br>'000    | Rs.<br>'000       | Rs.<br>'000                     | Rs.<br>'000       | Rs.<br>'000    | Rs.<br>'000       | Rs.<br>'000                     |
| Rates and Taxes   | 424,300           | 400,112        | 375,515           | 368,936                         | 365,100           | 686,095        | 243,364           | 343,178                         |
| Rent              | 19,035            | 16,217         | 12,638            | 16,548                          | 29,747            | 27,975         | 10,862            | 15,285                          |
| Licence Fees      | 23,500            | 45,731         | 16,895            | 86,815                          | 34,235            | 94,318         | 18,893            | 62,782                          |
| Other Revenue     | 300,000           | -              | 184,543           | 514,918                         | 433,815           | 355,995        | 320,332           | 173,227                         |



### 2.3.2 Rates and Taxes

| -----<br><b>Audit Observation</b><br>-----  | -----<br><b>Recommendation</b><br>-----                             | -----<br><b>Comments of the Accounting Officer</b><br>-----   |
|---|---|---|
| <b>(a) Rates</b><br>-----   |   |   |
| (i) Although the Rates billed for the year under review amounted to Rs. 354,286,573, the Council had failed to recover Rs.108,714,624 which is 31 per cent.   | Action should be taken to recover the billed rates during the year. | When paying property rates there were delay in payments and red notices will be issued for non-payment of rates and action in being taken to recover.   |
| (ii) The balance of arrears of rates as at 31 December 2017 was Rs.337,835,697. However, Rs.93,113,598 or 31 per cent had only been recovered during the year under review.   | Action should be taken to recover arrears of rates.                 | Due to the lack of sufficient staff to collect arrears of rates, there were delay. A system to collect the arrears without delay is already being prepared.   |
| (iii) During the year under review, red notices had been issued for 193 properties and expected to collect a sum of Rs. 63,705,107. However, Rs. 18,164,908 or 29 per cent only had been recovered. Not a single amount had been recovered from 126 Units that red notices were issued. | Action should be taken to recover arrears of rates.                 | Red notices are issued for properties in arrears of rates and announced that their properties will be restrained. Subsequently action had been taken to restrain the property and collect arrears of rates.   |
| (iv) When red notifications were issued for the recovery of rates fifty six properties had not been identified at the field inspection. The amount of when arrears was Rs.11,569,092.   | The property should be identified properly and billed.              | The properties which were not identified during the field inspection has been referred to the Valuation Inspector Division for further inspection and the action will be taken after receiving their reports. |

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|-------|--|---|--|
| (v)   | As at 31 December 2018, there were 84013 taxable properties and out of which 39609 properties had an arrears of rates amounting to Rs.345,923,440. Action had not been taken to recover Rs.131,926,030 from 424 taxable units which exceeded Rs. 100,000 for each units. | Action should be taken to recover arrears of rates. | Revenue Inspectors and Valuation Inspectors are examining identified properties and red notifications are issued for the remaining properties and rates will be recovered.   |
| (vi)  | A sum of Rs. 43,373,869 was to be collected from 617 taxable units value of those were between Rs. 50,000 & Rs. 100,000 .  | Should recover the arrears of rates.                | Among the properties valued over Rs. 100,000, there were properties of the Municipal Council also included and the arrears of rates of those properties have been referred to the Finance Committee for approval and to remove it from the register. |
| (vii) | Among the 28 divisions, highest arrears amounting to Rs.48,431,364 was from the Ratmalana East Division. A restraining officer had been employed to collect its arrears.   | Action should be taken to recover arrears of rates. | A restraining officer has been appointed for division number 28 and at present he is collecting arrears of rates.  |

**(b) Garbage Tax**  
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| Audit Observation<br>-----  | Recommendation<br>-----  | Comments of the Accounting Officer<br>-----  |
|---|--|--|
| (i) Since the Council had not entered into agreements with the places where the garbage is to be disposal, it could not be take legal action collect the arrears of garbage tax. As action had not been taken to recover arrears of garbage fees in terms of the Council decision No. 08 (10) 35 dated 18 November 2003 and the | Action should be taken to recover the outstanding garbage tax. | Health inspectors have been given arrears garbage tax lists and informed to recover the dues within a month. |

instructions of the Committee on Finance, the arrears of garbage tax as at 31 December was Rs.9,542,119.

- |       |  |  |  |
|-------|--|--|--|
| (ii)  | The amount of garbage revenue receivable as at 31 December 2017 was Rs.9,768,276 and Rs.4,232,299 which was not recoverable had been written off to the accumulated fund in the year under review.   | Action should be taken to recover during the year without having outstanding balances.   | According to the prevailing accounting system, the deficit has been re accounted as at 31 December 2018 by adjusting the arrears to accumulated fund except receipts to the initial balance. |
| (iii) | Although the garbage disposal service was provided to 155 institutions with outstanding balances brought forward from the previous year, and due to not taking action to recover arrears or payments for the year, the outstanding balance had increased to Rs. 5,709,325. | Action should be taken to recover arrears of garbage tax and the service should not be provided to institutions that do not pay tax. | Action will be taken to recover the outstanding garbage tax.   |

(c) **Entertainment Taxes (Film Halls)**

| -----<br><b>Audit Observation</b><br>-----  | -----<br><b>Recommendation</b><br>-----         | -----<br><b>Comments of the Accounting Officer</b><br>----- |
|---|---|---|
| Although a sum of Rs. 5,033,376 had been received under review, the balance of Rs. 154,302 as at 31 December 2018 had not been recovered. | Should take actions to recover the due balance. | No replied.   |

(d) **Other tax**

| -----<br><b>Audit Observation</b><br>-----   | -----<br><b>Recommendation</b><br>-----     | -----<br><b>Comments of the Accounting Officer</b><br>----- |
|--|---|---|
| Action had not been taken to recover the arrears of cable TV income of Rs 4,114,151, arrears of special advertisement of Rs.6,202,810 and arrears of special | Should take action to recover the balances. | Will take action to recover the balances.                   |

advertisement (Street Name Boards) of Rs.3,000,000 as at 31 December 2018.

2.3.3. **Rent**

| -----<br><b>Audit Observation</b><br>-----   | -----<br><b>Recommendation</b><br>-----                   | -----<br><b>Comments of the Accounting Officer</b><br>-----   |
|--|---|---|
| <b>(a) Trade Stall Rent</b><br>-----   |   |   |
| (i) Action had not been taken to recover the arrears of trade stalls rent of Rs. 8,997,060 as at 31 December 2018 and there were 235 stalls that had been in arrears for more than three months. | Should act according to the conditions in the agreements. | Taxpayers were notified to pay the arrears as at 31 December 2018 on or before 31 January 2019. Legal action is being taken against taxpayers who do not pay arrears of rent. |
| (ii) Action had not been taken to recover the arrears of meat stalls rent of Rs 2,471,517 from 2014.   | Should take actions to recover the arrears.               | When examine the ledgers we did not noticed such a carried forward balance in the miscellaneous revenue section.  |
| <b>(b) Leasing of Property</b><br>-----  |   |   |
| -----<br><b>Audit Observation</b><br>-----   | -----<br><b>Recommendation</b><br>-----                   | -----<br><b>Comments of the Accounting Officer</b><br>-----   |
| (i) The estimated revenue was Rs.1,400,000 but only Rs.477,412 had been recovered during the year.   | Action should be taken to collect estimated revenue.      | Recovery of arrears of income is in progress.   |
| (ii) As at 31 December 2018, the rent arrears from 17 properties was Rs.5,079,510. However, action had not been taken to recover 10 property rents exceeded three months.                        | Actions should be taken to recover the due balances.      | Action is being taken to recover the outstanding rent as at 31 December 2018 and legal action is being taken in respect of others.  |

#### 2.3.4 Licence fees

| <b>Audit Observation</b>   | <b>Recommendation</b>                         | <b>Comments of the Accounting Officer</b>  |
|--|---|--|
| (i) The industry and business tax revenue for the year under review was amounted to Rs.35,050,583. However, 83 per cent of that amounting to Rs,28,984,433 had not been recovered.   | Action should be taken to recover the arrears | Action was taken to rectify the billings amount and recover the arrears.   |
| (ii) The outstanding industry and business tax balance as at 31 December 2017 was Rs.57,729,233 and only Rs.2,046,045 which is 3.5 per cent of that had been recovered during the year under review. However, it was failed recover the balance Rs.55,683,188. | Action should be taken to recover the arrears | After making the necessary corrections, it is expected to take legal action to recover the outstanding balance.  |
| (iii) The number of shops identified to issue license for the year 2018 were 1400, but licenses have not been issued for 758 shops.  | Action should be taken to issue license.      | Steps will be taken to take legal action in the future for those shops for which trade license have not issued and identifying correct number of shops after the survey. |

#### 2.3.5 Court Fines and Stamps Duty

| <b>Audit Observation</b>   | <b>Recommendation</b>                                | <b>Comments of the Accounting Officer</b>   |
|--|--|---|
| (a) <b>Court Fines</b>   |  |   |
| (i) Although the estimated revenue was Rs.20,000,000 the court fines received was Rs.4,543,325 during the year.                  | Action has to be taken to collect estimated revenue. | Schedules are currently being prepared to recover court fines.                          |
| (ii) Not a single fine income has been received in 2018 for the cases filled under the Food Act. Although it was informed by the | Fine income should be recovered immediately.         | Arrangements have been made to collect this money through the Public Health Inspectors. |

Mount Lavinia court that Rs.277,125 fine income for 26 cases filled in 2017 is belonging to the municipal council, action had not been taken to collect them to the Council even as at 31 December 2018.

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|-------|--|--|--|
| (iii) | Action had not been taken to recover court fines amounting to Rs.127,646,752 since 2014 to 31 December 2018. | Action should be taken to recover the arrears. | Since the officers of the Council were not allowed to record court fines before 2017, the fines for that period could not be recovered. However, after 2017, the actions had been taking to recover the court fines through a schedule sent by our officers. |
|-------|--|--|--|

**(b) Stamps duty**  
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| <b>Audit Observation</b><br>-----  | <b>Recommendation</b><br>-----                                    | <b>Comments of the Accounting Officer</b><br>-----  |
|--|---|---|
| Stamp Duty to be received from the Western Provincial Council as at 31 December 2018 was Rs.387,271,620. | Action should be taken to recover the relevant stamp duty yearly. | As the stamp duty schedule is being prepared, action is being taken to recover the relevant stamp duty. |

**3. Operating Review**  
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**3.1 Performance**  
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**(a) Action Plan**  
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| <b>Audit Observation</b><br>-----   | <b>Recommendation</b><br>-----            | <b>Comments of the Accounting Officer</b><br>----- |
|---|---|--|
| The Annual Action Plan had not been prepared for the tasks to be undertaken by the Council. | An annual action plan should be prepared. | In being prepared.                                 |

**(b) Non-achievement of the Expected Benefits**

| <b>Audit Observation</b>   | <b>Recommendation</b>                                       | <b>Comments of the Accounting Officer</b> |
|--|---|---|
| When the Road Development Authority was acquiring land to construct a highway, the expenditure incurred Rs. 288,477 to construct a volleyball stadium near fishery houses in Dehiwala had become futile expenditure. | Council funds should be used to get the maximum efficiency. | Will take action remove when necessary.   |

**(c) Delays in Execution of Activities**

| <b>Audit Observation</b>  | <b>Recommendation</b>                                     | <b>Comments of the Accounting Officer</b>   |
|---|---|---|
| Out of the 48 projects to be implemented by the General Fund, agreements for 41 projects were signed in the last few days of the year and the project could not be completed. Council had not signed agreement with the contractor for the two projects even as at 01 March 2019. | The projects should be implemented within correct period. | From the date of receipt of the project proposals to awarding of contracts signing agreement period is minimum 4 months. However, agreements have been signed in 2018 and the allocations for these projects have been carried forward to 2019 under various creditors. |

**(c) Solid Waste Material Management**

| <b>Audit Observation</b>  | <b>Recommendation</b>                          | <b>Comments of the Accounting Officer</b>  |
|---|--|--|
| During the year 2018, there were 30885 tons of unsegregated garbage in the Municipal Council area, Council had to pay Rs.23,163,750 in excess for mixed garbage as the garbage collection was not managed properly. | Garbage collection should be managed properly. | This has not been done in a systematic manner since both mixed and non-segregated garbage are included in the non-separated garbage. From 2019 onwards, arrangements have been made to do it in the formal manner. |

### 3.2 Management Inefficiencies

| <b>Audit Observation</b><br>-----<br>-----  | <b>Recommendation</b><br>-----<br>-----  | <b>Comments of the Accounting Officer</b><br>-----<br>-----   |
|---|--|---|
| <b>(a) Approval of Plans and Issuing of Compliance Certificates</b><br>-----<br>-----   |  |   |
| (i) When approving plans for the construction of buildings there were 34 instances only approval were given for the building plans and not approved the land plots building were built.   | When approving plans, you must establish whether the plots have been approved. | When submitting building construction applications, some files are presented with subdivision plans before March 1986, that was before the implementation of the UDA Act. There is no need to approve such subdivisions as per UDA regulations. |
| (ii) In accordance with subsection 14 (1) of the Planning and Building Regulations 2008-2020 issued by the Urban Development Authority, approval of plans must be made within eight weeks. However, duration of 115 to 380 days has been taken for land plot plans in 45 instances and 141 to 360 days for 22 building plans. | Action should be taken to minimize the delay.                                  | These are the files that deficiencies have been highlighted by the planning committee. In certain applicant files has to do some corrections and some applications have been delayed due to delay in issuing clear once certificates.           |
| (iii) According to UDA regulations, the minimum width of the road for a four storied and twelve unit condominium should be 19.5 feet (6 meters), but the road where the Municipal Council situated is only 10 feet wide.  | Should comply with the regulations of the UDA.                                 | Discussed and approved by Planning Committee.   |
| (iv) Since a register available to record the applications for compliance certificates and the record the details of the compliance certificates issued was not maintained, it could not be verify that whether the requested compliance certificates were issued   | Compliance certificates should be issued without delay.                        | This is due to the shortcomings in the applications and register is being used to issue compliance certificates.  |



promptly. Although there were applications for 295 compliance certificates during the year under review, only 176 were issued. There were instances where it had been taken more than six months to issue compliance certificates.

### 3.3 Human Resources Management

| Audit Observation   | Recommendation   | Comments of the Accounting Officer   |
|---|--|--|
| (a) By the end of the year under review, there were 230 vacancies and 02 excess cadre.  | Recruitment should be done to fill the vacancies.  | Will take action to fill the vacancies in the future.  |
| (b) It was found that there were 58 employees not performing their regular duties and engaged in some other duties during the year under review.  | Employees should be deployed in their regular posts.   | Most of the posts in the present approved cadre not enough to the current service requirements. Drivers and Administrator positions are essential for the day to day services and therefore, the laborers are assigned to the duties as per the service requirement. |
| (c) Action had not been taken to recover as at 31 December 2018 the arrears of staff loans of Rs.1,277,723 from the deceased and retired employees, and amounting to Rs.495,335 from those who were transfers out.  | Action should be taken to recover the loan balance.  | Actions will be taken to recover in future.  |
| (d) As a result of not adhering to Public Administration section 22 of the Circular 03/2016, an employee of the Council had not been paid salary increments from 2013 to 2015 and amended salary arrears, and the was interdicted in 2015 without a formal inquiry Further the had been sent on Compulsory leave from 21 December | Disciplinary inquiries should be conducted without delay and salary revision should be considered. | His request will be considered and the formal investigation is underway.   |

2016 and had been reinstated on 17 August 2018. But disciplinary proceedings had not been finalized up to 30 April 2019.

- |     |   |   |  |
|-----|---|---|--|
| (e) | The actions taken relating to 95 employees who were not in the assigned twenty seven locations in the authority area of the Council were not been given to audited. | Employee supervision and internal control systems need to be streamlined. | It has been advised to deduction of day's pay and not approval of overtime. Also taken action to minimize such incidents.  |
| (f) | The Chief Librarian Special Grade post had been vacant for a long time and at present; a Grade III Librarian had been deployed for this post.                       | Should be filled the vacant post of Chief Librarian (Special Grade)       | The post of Librarian Special Grade is a newly created post with the approval of the new staff on 01 January 2013 and since the appointing authority of this post is the Public Service Commission of the Western Province, the relevant institutions have been informed of the vacancy by letters and relevant forms. |

### 3.4 Operating Inefficiencies

| Audit Observation   | Recommendation   | Comments of the Accounting Officer  |
|---|--|---|
| <b>Trade Stall Rent</b>   |  |   |
| (a) Of the 371 trade stalls owned by the Council, rentals of 286 were in arrears and many of the stalls were leased, but agreements had not been signed with the leaseholders. Also, some agreements have not been renewed, although the contract period has expired. | Lease agreements should be signed and renew after the due date.                                      | Arrangements are being made to sign agreement according to the convention of the Council. At present agreements had been signed with many institutions. |
| (b) As per the lease agreements, relating to action had not been taken 235 vendors who had not paid rent for three consecutive months and no action been  | Legal action should be taken against shop owners who do not pay rent and action to be taken to lease | It was not possible because there was no legal agreement. Proper arrangements are already   |

taken to register the names of the shop owners. Further 32 shops were closed without carrying out businesses. out shops which are being made to act in the future.

### 3.5 Asset Management

#### 3.5.1 Assets not Entered in Registers

| Audit Observation  | Recommendation  | Comments of the Accounting Officer   |
|--|---|--|
| (a) The Land Division maintained a register with details of the land and buildings, but did not include all the details.   | Maintain a document with details of land and buildings. | This document has been prepared according to the files in the possession of the Council and the Land Registry has been consulted by and advised to proceed with the remaining information. |
| (b) According to the Land and Building Register maintained by the Municipal Council, there should be 97 properties. But according to information provided to audit, there were only about 75 properties. | Land and building registers should be kept up to date.  | This document has been prepared according to the files in the possession of the council and has been consulted by the Land Registry and advised to proceed with the remaining information. |

#### 3.5.2 Lack of Security of Assets

| Audit Observation   | Recommendation  | Comments of the Accounting Officer   |
|---|---|--|
| (a) Due to the lack of proper security for the property owned by the Council, there are three unauthorized occupants enjoying the properties.                   | Security arrangements should be made for property owned by the Council. | Steps have been taken to take legal action and take further security measures.                           |
| (b) There were no deeds or acquisition orders required to establish ownership of 36 properties out of the 75 land and building properties owned by the Council. | The ownership of property owned by the Council should be established.   | Steps have been taken to initiate legal action and to take appropriate security measures in this regard. |

- (c) An annual survey of the lands owned by the Council had not been carried out for a long time. An annual survey of the lands owned by the Council should be carried out. Action has been taken to commence from the year 2019.

### 3.5.3 Non-receipt of Income from Assets

| Audit Observation  | Recommendation  | Comments of the Accounting Officer   |
|--|---|--|
| A land of 01 Rood and 4.1 perch which was given on lease to the Mount Lavinia Hotel to use as a vehicle park, and due to the shortcomings in the agreements, the arrears of the property tax as at 31 December 2018 amounted to Rs.5,116,709. It was unable to recover the lease rent from lessee. | A new agreement should be made or amend the current agreement to recover arrears. | It is directed to consult the legal status of the possibility of taking action on a matter not included in the agreement and it is expected to the further action as per the instructions. |

### 3.5.4 The Property that was Sued

| Audit Observation   | Recommendation   | Comments of the Accounting Officer                                       |
|---|--|--|
| Lawsuit has been filed for the restoration of property against an unauthorized occupant who is enjoying a land owned by the Council since 27 August 1999 in fezer avenue. | Should concern on the safety of the properties owned by the Council. | According to the verdict, a written discussion was called on 25.10.2017. |

### 3.5.5 Idle/Underutilized Assets

| Audit Observation   | Recommendation                     | Comments of the Accounting Officer                               |
|---|------------------------------------|--|
| Action had not been taken to acquire 32 stalls leased that were closed and sealed and to lease them to other leaseholders to gain income. | Should take action to gain income. | At present action is being taken to abolish the tax and seal it. |

### 3.5.6 Annual Verification of Goods / Stock

| <b>Audit Observation</b>  | <b>Recommendation</b>   | <b>Comments of the Accounting Officer</b> |
|---|---|---|
| Annual board of survey not carried out and report for 2018 was not submitted. | Annual board of survey reports should be submitted on due date. | Submit it soon                            |

### 3.5.7 Vehicle Utilization

| <b>Audit Observation</b>   | <b>Recommendation</b>   | <b>Comments of the Accounting Officer</b>  |
|--|---|--|
| (a) Twelve vehicles were in obsolete position and some of which had not been used for a long time.   | Appropriate action should be taken on obsolete vehicles.                                      | When vehicles are not economical in maintaining and operating removed from the use, and those vehicles and machinery are disposed. Accordingly, action had already been taken to tender and sell the 12 vehicles mentioned. Also paper notices are published by now.   |
| (b) Although there were 239 vehicles owned by the Council, four tractors, one lorry, six vans, two cars and 05 three-wheelers had been taken on hire basis. A sum of Rs.13,857,618 had been paid as rent for the 18 vehicles hired during the year under review. | There is a need to take maximum productivity and take care necessity of having some vehicles. | The Council has hired vehicles to perform the duties without delay and when the vehicles and drivers of the Council are not sufficient to meet the demands made by the various departments from time to time, on various requirements of the day to day functions .In such instances it is advantageous to get vehicles on hire basis. |

### 3.6 Uneconomic Transactions

|  |  |  |
|--|--|--|
| (a) A sum of Rs. 4,500,000 had been deposited in the Divisional Secretary in February 2018 for the purpose of acquiring land to open the road from | The Council funds should be incurred in the productive projects which provide benefits for majority. | Will provide a clear answer after carrying out an investigation. |
|--|--|--|

Wanaratana Road to Fonseka Road. But the land had not been acquired even by 20 May 2019.

Due to large losses by disposing of houses, toilets of several people when acquiring lands, the cost of constructing this road which is directly accessible only two families. It is uneconomical when the majority of the existing alternative roads are adequate and considering the losses incurred.

- |     |  |  |  |
|-----|--|--|--|
| (b) | The water connection was disconnected due to non-payment of water bills of Saranankara Children's Library and an additional cost of Rs.3,450 had to be incurred to reconnect the supply. | Action should be taken to recover from responsible officers. | Will provide a clear answer after carrying out an investigation. |
|-----|--|--|--|

### 3.7 Identified Losses

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| Audit Observation   | Recommendation   | Comments of the Accounting Officer  |
|---|--|---|
| -----   | -----  | -----   |
| (a) A loss of Rs. 131,475 has been occurred to the Council due to misappropriation done by the storekeeper by changing the Good Issue Order Notes.  | Action should be taken to recover the loss in terms of the Financial Regulation 156.   | A preliminary investigation will be conducted in this regard and action will be taken to recover the loss.  |
| (b) Salary and Allowance of amounting to Rs. 1,413,903 had been paid to an employee whose service was suspended from 11 November 2011 to April 2016, and it had not been recovered even by the end of the year under review. A case has been filed under No. B / 1799/16 at the Mount Lavinia Magistrate's Court. | Action should be taken to recover the money and the due care of the responsible authorities should be paid the process of payment of salaries. | A case under No B / 1799/16 is being heard in the Mount Lavinia Magistrate's Court and Attorney General's advice has been requested, action will be taken as per the order of the case. |

- (c) Action had not been taken to recover the value of 58 books that had not been returned to the library, for a long time by the readers that had been taken away from various libraries. Action should be taken to recover the value. Already, letters have been sent to the relevant authorities informing them that legal action will be taken in this regard and advised to add the value to the rates of the guarantors if they fail to respond.

**3.8 Procurement**  
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**3.8.1 Procurement plan**  
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| <b>Audit Observation</b>  | <b>Recommendation</b>                          | <b>Comments of the Accounting Officer</b>              |
|---|--|--|
| -----   | -----  | -----  |
| Duly prepared and approved procurement plan for 2018 has not been submitted, Although a procurement plan had been prepared from August 2018 it had not been approved. | An annual procurement plan should be prepared. | A procurement plan for the year 2019 has been prepared |

**3.8.2 Supplies and Services**  
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|   |   |   |
|---|---|---|
| The supplier selected had agreed to supply laptops within 2-4 weeks after the order, and later the period was extended. However, as it was informed that they were unable to supply at the agreed price the goods were purchased from the second supplier. But the first supplier had not been blacklisted. | Suppliers should be blacklisted in instances like this. | It was rejected to place orders to E – WIS due to failure to provide the computer on time and obtained the recommendation of the Finance Committee and with the approval of the Council, order has been given to the STC. |
|---|---|---|

3.8.3 **Contract Administration**

| -----<br><b>Audit Observation</b><br>-----   | -----<br><b>Recommendation</b><br>-----                             | -----<br><b>Comments of the Accounting Officer</b><br>-----  |
|--|---|--|
| (a) Due to agreement with contractors at a higher value than the estimated value for 31 projects implemented under the General Funds, cost has been increased by Rs. 2,608,128 than the estimates.   | Correct estimates need to be prepared.                              | Contractors in these 31 projects have quoted 15 per cent to 20 per cent higher than the estimated cost. However, action has been taken to obtain a discount from the contractors and award the contracts so as not to exceed 10 per cent of the estimated amount for the benefit of the Council. |
| (b) Although it was stated in the project contract to furnish a performance guarantee of Rs. 62,556 for a maturity period of one year for supplying and installing out door body building equipment at Kothalawalapura Railway Ground Rathmalana, at the awarding of the contract on 24 December 2018, agreed to a performance guarantee with a validity period of 3 months The validity of the guarantee had expired 4 March 2019 and the contract works were not completed. Further the maintenance period was also not been considered. | Projects should be carried out within the agreed time period.       | The contractor will be informed of the extension of the guarantee period prior to making related payments, even it was agreed up on in the guarantee of the contract..   |
| (c) Due to not up to the required standard the taring on roads under direct labor basis, the productivity of the outcome had been less.  | Projects should be carried out according to the required standards. | Answers had not been given   |



**4. Accountability and Good Governance**

**4.1 Unresolved and Unreplied Audit Queries**

| <b>Audit Observation</b>  | <b>Recommendation</b>                                    | <b>Comments of the Accounting Officer</b>  |
|---|--|--|
| Answers/ explanation had not been given for 18 audit queries issued in the year under review even by 24 May 2019. | Answers should be given within the relevant time period. | Seven answers had been submitted for audit. Answers have been drafted for 04 while answer drafts are being prepared for 03. Other four audit queries received in late April and early May. |